IMPACT OF FEDERAL BUDGET PROPOSALS ON OLDER AMERICANS

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BEFORE THE

SPECIAL COMMITTEE ON AGING
UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

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IMPACT OF FEDERAL BUDGET PROPOSALS ON OLDER AMERICANS

FRIDAY, APRIL 10, 1981

U.S. SENATE,
SPECIAL COMMITTEE ON AGING,
Philadelphia, Pa.

The committee met, pursuant to notice, at 9:35 a.m., in the auditorium, JYC Building, 401 South Broad Street, Philadelphia, Pa., Hon. John Heinz, chairman, presiding.

Present: Senator Heinz.

Also present: John C. Rother, staff director and chief counsel; E. Bentley Lipscomb, minority staff director; Michael Rodgers and Joseph P. Lydon, professional staff members; and Eugene R. Cummings, printing assistant.

OPENING STATEMENT BY SENATOR JOHN HEINZ, CHAIRMAN

Senator HEINZ. Ladies and gentlemen, good morning. I am pleased to be here with you in Philadelphia. We are pleased to have this hearing of the Senate Special Committee on Aging. We are pleased to have your help in examining the impact of the administration's budget proposals for fiscal year 1982, and how those budget proposals will affect older Americans. Because the Special Committee on Aging has a mandate to study matters of concern to the elderly, we all feel a responsibility to assess the impact of these budget reductions and these budget proposals in great detail to see exactly how they are going to affect our senior citizens.

We know that controlling inflation has become and is a national priority, but we also must insure that steps that are being taken to do this will not threaten the so-called safety net of programs which keep our older persons reasonably independent and protect their relative well-being.

Today, as I suspect all of you know, in Government we are being challenged as never before to make very far-reaching policy decisions. The public perception is that the health of our Nation's economic and social structure has been deteriorating for too long and there is a mood that is very strongly supportive of change.

While we hear our country's call to limit Government spending, to reduce taxes, to reexamine our priorities, the fact is that various citizen groups continue to press both to maintain current policy commitments and to expand program support even as spiraling inflation continues to erode some of the progress we thought we had made.

We are here in Philadelphia today because this committee is vitally interested in understanding State and local perspectives on

the impact of the proposed budget on the elderly. The committee is moving in a comprehensive fashion to analyze the administration's proposals and to formulate recommendations to be submitted to the appropriate Senate policy and appropriations committees as they develop their budget through the reconciliation process over the next few weeks.

I might add that this committee has held two previous hearings in Washington, D.C., on these budget issues. This is our third hearing. Testimony has come, to date, from both the administration, from outside experts, from national representatives of the elderly, and various organizations.

The first of the two hearings addressed the issue of income security, including social security, food stamps, and low-income energy assistance. The second hearing focused on issues related to health and social services, including an examination of medicare, medicaid, title XX, and other block grant programs proposed.

The testimony that we received at both of these hearings provided the committee with some very valuable insights into some potential difficulties that the elderly might experience and which might be created by the budget reductions and benefit changes as proposed.

Today, we are here in Philadelphia to hear directly from organizations and service providers in the field, or directly affected by the proposed budget cuts and, most importantly, those individuals representing senior citizens and their organizations.

We want to explore whether the efforts to limit or reduce spending, or reduce the growth of spending will alter current priorities and benefits. Specifically, we want to hear from our witnesses today the particular consequences that they see in this city, in their block, in their community, in their home, the consequences of the proposed budget.

From those who will be here representing providers, in particular, we want to know what they would be required to do in the way of shifting priorities, or focusing services, or targeting populations if the administration's proposals were adopted.

Further, we want to hear the specific alternative proposals that could achieve similar expenditure reductions rather than going along with what the administration has proposed.

And, finally, we want to examine and fully understand how the entire proposals as a whole interact, how the budget affects, taken as the sum of its part, our elderly and particularly our low-income elderly.

I look forward to the testimony being presented today and I appreciate the attendance at this hearing, and I would expect nothing less from the people of Philadelphia, the members of the Action Alliance, the tremendous attendance of so many concerned citizens.

Before we hear from our first witness, I would like to take a moment to make two additional comments. First of all, I would like to extend, on behalf of the entire Special Committee on Aging, our gratitude and appreciation to Bernard Marx and his staff here at the Jewish Y Center of Greater Philadelphia for allowing the committee to use this very fine facility.

Let me tell you, it has been renovated since you and I were last together in this room. It looks wonderful. The logistics that go into scheduling a field hearing like this are substantial and we have had a wonderful degree of local cooperation from just everybody.

And for all the work and effort demonstrated by the personnel at the JYC in making this hearing possible, I express the sincere thanks of our committee.

The second concern I would like to relate is the question of format. We are a special committee. We are not authorized by the Congress to actually report, to issue legislation. It is our job to conduct continuing oversight, continuing inquiry, into the problems and needs of the aging.

That is what we are seeking to do here. Our job, as we see it, is to educate, persuade, and help the standing committees to do the right thing as they proceed with their legislation and budget considerations, particularly that we want them to do the right thing as it affects the elderly.

This field hearing, I believe, will be a very valuable opportunity to gather some very good advice, some good input so that we can go back to Washington and say that we have talked not just to experts in Washington—and it is important to have experts—but we have talked to the people who are literally on the firing line.

And that is who we will be hearing from today. We have had, I might add, a great deal of difficulty selecting from all the many people who want to testify and all the witnesses that would like to be a part, and could be a very valuable part, of this hearing.

Because of time constraints, we can only accommodate so many people, but I do want to assure anybody that if they have a statement, or comment, they want to make that we will accept it and put it in the record of this committee. We may not have time for any formal statements from the floor. If we do have time, we will take them. If we don't, my staff will work with you to put your comments and statements in the record and, indeed, we have prepared a format which was distributed prior to the hearing, this yellow piece of paper, which I see a few of you have.

I encourage you to express your views and concerns on this piece of paper, front and back if you want, if you have a lot to say, and add some more pieces of paper to it if you want.

I assure you that we will take the opportunity to review your comments and they will be included in our deliberations. [Applause.]

Our first witness is Hon. Joseph Loeper, secretary of the majority caucus, Pennsylvania State Senate, vice chairman, senate committee on aging and youth.

Joe, we welcome you to the committee. [Applause.]

STATEMENT OF HON. F. JOSEPH LOEPER, DREXEL HILL, PA., SECRETARY OF MAJORITY CAUCUS, PENNSYLVANIA STATE SENATE, VICE CHAIRMAN, SENATE COMMITTEE ON AGING AND YOUTH, ACCOMPANIED BY SAMUEL ROSEN

Senator LOEPER. Thank you, Senator.

I understand, Senator, that we have a red light-green light system here, so we are certainly going to try to stay within our time constraints.

Senator Heinz, assembled guests and friends, welcome to Pennsylvania. We appreciate the concern which you show by convening this field hearing to receive testimony concerning the potential impact of the administration's budget proposals.

As you are aware, my own personal commitment to services to older people is a longstanding one and I am pleased to present to you my perspective on that aspect of the Federal budget.

Having been involved in services to the aging for some years now, I have personally experienced the very special commitment that this Commonwealth has made to its elderly. Pennsylvania's network of aging services has long served as the model for development of community-based services across the country.

Whatever the impact of the Federal budget may be, the commitment of Pennsylvania to adequately serve its elderly will not lessen. The creation, less than 2 years ago, of a cabinet level department on aging here in Pennsylvania is the most visible symbol of that commitment.

It is our expectation that it will continue to be expressed through substantial support of that aging network and the expansion of certain statutory responsibilities for those least able to advocate on their own behalf.

President Reagan's comprehensive economic plan, in general, is a well-reasoned and strong statement of the need to reduce spending, reduce taxes and act to streamline the regulatory burdens which are felt by providers of service from the senior citizens' center to the aerospace industry.

Elimination of waste by the removal of levels of administration, whose major function has been the maintenance of that regulatory bureaucracy, is a direction that I personally applaud.

In addition, any efforts that are expanded to root out fraud and corruption, whether it be in the bureaucracy, by providers of service, or by the consumer of those services, is an important direction to take.

I must express concern, however, about the difficulty of the task which is assigned to those coming to testify before you here today. Assessing the impact of any particular approach, whether it be a budget cut, a regulatory change, or consolidation into a grant, is very difficult because of the sparsity of information and often contradictory information available to the public.

As is always the case, and as I well understand from my own experience here in Pennsylvania as a member of the appropriations committee, there never seems to be enough time to carefully review every line of every budget proposal, and it is not always possible to accurately assess the impact of each such proposal.

Returning control of human services programs to the States is a tangible sign of the commitment which this administration has to return the Federal Government to its basic constitutional responsibilities.

The creation of broad block grant programs is probably the most significant step in that direction. However, it must also be recognized that at least some portion of the savings which have been envisioned by the President are merely savings to the Federal budget.

Unless there is forthcoming substantial relief from the maze of Federal regulations in many of these programs, the cost will remain the same but simply be shifted to the State and local governments.

I serve as senator in a State which has made substantial commitment to human services while at the same time suffering substantial economic losses through migration to the Sun Belt.

I would suggest, therefore, that consideration be given to ways in which the transition to consolidated block grants and their smaller total dollars may be eased. I would urge you and your colleagues to consider swift enactment of grant reform legislation such as the Federal Assistance Improvement Act sponsored by Senator Roth of the State of Delaware.

Though I am not familiar with all the details of that proposal, it would be my wish there would be clear and concise principles which would require simplification of the process of spending and relief from excessive regulation.

It would appear to me that one of the ways in which Congress can help to insure that at least some portion of the savings to the Federal budget are realized as savings to the States as well, would be to set a cap on administrative cost in the creation of each of these block grant programs.

Such a move would be a sign to the States that it is expected they will act with the same concern for cost effectiveness as the Congress has demonstrated. Though it would likely be more of a philosophical statement than a typical statutory detail, it may be appropriate to create a system of incentives for reducing administrative costs and increasing the actual level of service to consumers.

Government at the State and local levels should be rewarded for finding creative ways in which to cut costs while maintaining acceptable levels of service delivery. In our own State, I have no doubt that if a major effort at paperwork consolidation were to be made in our executive departments millions of dollars could be realized in savings each year.

The encouragement of common application forms, efficient computerization, the implementation of generally sound fiscal practice, would appropriately be part of the language of grant reform legislation.

The second concern which I have about the consolidation in the block grants of presently categorical programs has to do with a need which is difficult to express but one which ought to be addressed.

It is my view that what is important in this process is that we maintain some guarantee that those most in need are those who are appropriately served. I am concerned that the creation of these block grant programs and their associated reduction in total available funds has the potential for creating competition among needy groups.

By throwing together diverse categorical programs, the competition is inevitable. An example of this problem in Pennsylvania may be enlightening for you. As I mentioned earlier, our most visible symbol of Pennsylvania's commitment to its elderly citizens is the department on aging. Act 70, which created the department,

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guaranteed that a significant percentage, some 14 percent, of federally appropriated title XX Social Security Act funds would be transferred from the department of public welfare to the department of aging for administration of its programs for older people.

However, the General Assembly of Pennsylvania only provided that guarantee for 1 more year. When the consolidation of 12 programs into the social services block grant and the resulting 25 percent cut in funds is considered, our programs for older people could very simply be in serious financial trouble.

One proposal which I hope would receive some consideration in the Congress would be a hold-harmless provision that would allow a transition period for the States to make careful adjustments in the level of support for programs.

For instance, all those categorical programs which would be consolidated under the social services rubric would be guaranteed a proportion of the funds available equivalent to the proportion of funds previously available to them.

I would like to now spend just a few moments looking at a few of the specific budget cuts and their potential impact on the elderly.

Health services. Before a decision is made with regard to the elimination of health planning, I hope that consideration is given to the savings which have been generated by the health system agencies.

Medical care. The elderly constitute only 16 percent of the medicaid beneficiaries but account for a substantial portion of the total cost.

And, last, social security. It is with regard to social security benefits that the most controversy is likely to ensue. Whether or not it is considered by some to be the Government's welfare program for the elderly, blind, and disabled, SSI is the appropriate program to pick up the slack in providing for those deprived of social security minimum benefit payment.

I would support such efforts to help restore the solvency to those trust funds.

Finally, I would like to once again thank you for the opportunity to testify before this committee. I do not envy any of you the responsibility which you have in debating the merits of each of these budget proposals.

I would only caution that each cap imposed or reduction made does affect people and your decision should be made with an eye to increasing flexibility, reducing the regulatory burdens, and encouraging the limitation of administrative costs. This process would allow those who serve our elderly to do so with minimal disruption.

Thank you, Senator. [Applause.]

Senator HEINZ. Senator Loeper, thank you for an excellent statement.

I think the record should show that Senator Loeper addressed a good many more issues in his prepared testimony. He summarized his testimony and we want to put his entire testimony, which deals also with food stamp problems and a variety of other issues into the record.[1]

I commend it to you and those of you who checked this yellow sheet down in the appropriate box will get a copy of the entire

[1] See page 330.

hearing record and you will be able to see all the things that Senator Loeper actually said to the committee even though you didn't hear them.

Senator Loeper, one of the items that has received a lot of comment and is of great concern to me is the medicaid cap. You indicate in your statement, and you are quite correct, that although the elderly represent a relatively small proportion of the people served under medicaid, the fact is that medicaid, because it pays for nursing home care, about 40 percent of medicaid goes to help senior citizens in terms of the money that is spent.

My concern is that capping medicaid will fall rather heavily on senior citizens. One of the things that States might do if we enacted a cap on the medicaid program is they might decide to lower reimbursement rates to providers, to physicians, for example.

If a cap was imposed on medicaid and if Pennsylvania chose to lower reimbursement rates under medicaid in order to save money, what impact do you think this might have on what many of us consider an already low participation rate of physicians in the medicaid program?

Senator LOEPER. Senator, I would just like to point out a statistic that I think is interesting and germane to the problem, and that is, since 1975, the number of beneficiaries has remained fairly consistent and income eligibility levels have not risen substantially.

Yet, since 1974, the cost for the program has increased from $9.7 to $21 billion. It is very important, I think, that we take a look at that, that we have not really expanded the benefits. We have not increased the number of beneficiaries, yet the cost has grown almost 250 percent in those 6 years.

The problem is not necessarily the cost of medicaid but I believe it is the cost of health care as a whole and the problem is how we can try and control some of the costs of health care per se.

Senator HEINZ. Last week, Senator Packwood of Oregon, Senator Bradley of New Jersey, and I introduced a bill to create a demonstration program in 10 States by creating in 4 of those 10 States what in effect would be a new title XXI of the Social Security Act.

The legislation under title XXI would seek to address what we believe to be is a very serious problem, namely the inability of our present health care system to properly serve the specific health needs of the elderly and, in failing to do so brings about the inappropriate and unnecessary institutionalization of many elderly.

What our legislation would do would be to combine all the existing noninstitutional services that are presently provided under medicare, medicaid, title XX, and other similar federally funded programs into one single title, this new title XXI.

We would entitle any person over age 65, anyone disabled and qualifying for disability benefits, or medicaid, to an array of services which might include intermittent nursing care, physical, speech, or occupational therapy, homemaker-home health aid services, adult day care services, respite services, home health services, case coordination.

We would require the establishment of a preadmission screening and assessment team, a PAC team as we call it, to determine what kinds of services an individual senior citizen or client would receive and to develop a specific plan of care for each individual.

We would then, as part of the demonstration program, test a variety of financial ways of handling it. We would test a copayment system. We would require no copayment for the lowest income, however. We would test a variety of other approaches, including fee schedule reimbursement, capitation favored reimbursement and prospective reimbursement.

Do you believe that establishing such a program, particularly through a demonstration as we propose to establish its cost effectiveness, which we believe in, would help address some of the problems that you singled out a minute ago?

Senator LOEPER. Very definitely, Senator. In fact, I think unfortunately what has happened with many of our elderly today, they have to make the decision: Do I heat? Do I eat? Do I go to the doctor, or fill my prescriptions?

I think that when these difficult choices are facing these folks that we must have programs that address those needs. But I emphasize again, they must be cost effective. I think that sounds like a very feasible idea and we would certainly be interested in tracking its progress.

Senator HEINZ. One of the programs that many of us in the northeastern United States feel has been literally enabled many senior citizens to survive on is the low-income energy assistance program, which is administered by the States.

I didn't note that you singled that out particularly. Do you have any comments that you would care to make about the low-income energy assistance program?

Senator LOEPER. We found in Pennsylvania, sir, that has been a tremendous assistance. However, one thing that our committee has determined is that there does seem to be some problems as far as getting those funds channeled through the State down to the local level, and we have heard in response many fuel oil dealers and folks of that nature that are having difficulty in receiving prompt payment for those services provided.

However, I think that is a logistical problem on the State level and I know one which we are addressing.

Senator HEINZ. Is there anything that the Federal Government is doing to make your life more difficult besides collecting taxes in a few days—in this program? I don't want to invite you to make a 2-hour address. In the low-income energy assistance program, Joe.

Senator LOEPER. I will be careful. The red light will go on again.

I think that the assistance that has been provided on the Federal level to the States has been quite compatible and is certainly addressing a need that we are not able to address here in the Commonwealth.

Senator HEINZ. I can't resist observing, and I think some of you were there, I had a meeting with a group of senior citizens back in June or July of 1979, out near Harrisburg. I see somebody down there nodding their head. At that time, I had become a new member of the Senate Finance Committee and we were about to consider—indeed, we were gearing up to consider the windfall profits tax on the oil companies.

As you know, there was a great deal of sentiment, which we subscribed to, that as part and parcel of President Carter's move to decontrol the price of oil, that we had to take care of poor people

who just couldn't raise their incomes as fast as the oil companies were going to raise their price if we decontrolled.

So we dedicated a portion of the windfall profits tax, or so we thought, one-quarter of it, to low-income energy assistance. We were supposed to dedicate $3.5 billion a year to low-income energy assistance. When I was in Harrisburg, it was about 98 degrees in the shade, and I had come up there to seek comments on this low-income energy assistance program for the dead of winter.

I remember people saying, "Senator, why are you talking about energy assistance programs for heating in the middle of the summer?" As a result, nonetheless, of people's forebearance under very steamy and hot conditions, I received a lot of very good comments and many of the suggestions that I received we did, in fact, incorporate into the Finance Committee's authorization for the existing low-income energy assistance program, including a very good deal of flexibility to be given to the States.

As I think most people realize—this is something Joe Loeper touched upon. I want to ask him about it—the basic problem in almost every State, except Pennsylvania, as far as we can determine from the hearings we had—we had a hearing yesterday of this committee on low-income energy assistance and the weatherization programs—is that in block grant programs, and the existing energy assistance program is a block grant program for all intents and purposes, it is very easy for a State to find the people who are poor, the people who are eligible for food stamps, who are receiving food stamps I should say, the people who are on SSI, the people who are on AFDC, and send help only to them.

If you do that you leave out at least 40 percent of the elderly poor because 40 percent, in some cases as high as 60 percent, of the elderly poor are not on food stamps, are not on AFDC, are not on SSI—and it requires a very determined effort, using outreach, by a State. [Applause.]

And we should be proud of our State that it had the capability to do this. I think Gorham Black deserves a good deal of credit, frankly, for doing this. Our State apparently leads all other States. We don't claim to be perfect, but one of the things that was in the legislation was a requirement that the non-AFDC, food stamp, SSI poor elderly be served.

Yet, most States, despite that requirement, haven't been able to meet it. Have you got any suggestions for us, Senator Loeper, on how, even with our existing program, let alone what most people would consider freer block grant programs, we can encourage States to better address this problem?

Senator LOEPER. Senator, it is my understanding that Pennsylvania has one of the highest percentages of participants in that energy assistance program and people that are not necessarily recipients of the programs that you mentioned earlier.

I believe one reason for that, as you did state, was the excellent job that I think the department has done in the past 2 years, particularly in publicizing these programs. I think that the key many times, and particularly in central and rural Pennsylvania, is publicizing the programs and getting the programs to the people.

This seems to be, as far as I am concerned, one of the major stumbling blocks. I think that our area agencies on aging have

tried, through their center programs and through the services that they offer at that level to promote these programs.

But I think it turns out to be we have got to do a better public relations job as far as these programs are concerned.

Senator HEINZ. Do you believe that there are any specific mandates that we should include in block grants that will get States that so far haven't been quite as responsive as Pennsylvania to pay more attention?

Senator LOEPER. The one concern I expressed in my testimony, and I still do as far as the block grant program is concerned, is that I think the block grant program legislation should have a hold-harmless clause within it so that we don't find in each of the States competition among all various program providers for that block grant dollar.

I thought that possibly if we could see that provision last for a period of maybe 3 years, then at that time we may determine how effective the block grants have been and also restructure priorities as far as programs in each State.

Senator HEINZ. Senator Loeper, you have done an excellent job of giving us some insight from the State point of view as a State legislator, somebody who helps shape policy at the State level.

We thank you very much for being here and we wish you every bit of good luck in your work as vice chairman of the Aging and Youth Committee of the Senate of Pennsylvania.

Senator LOEPER. Thank you, Senator. [Applause.]

[The prepared statement of Senator Loeper follows:]

PREPARED STATEMENT OF F. JOSEPH LOEPER

Honorable Senators, assembled guests and friends, welcome to Pennsylvania. We appreciate the concern which you show by convening this field hearing to receive testimony concerning the potential impact of the administration's budget proposals. As you are aware, my own personal commitment to services to older people is a longstanding one, and I am pleased to present you with my perspective on that aspect of the Federal budget.

Having been involved in services to the aging for some years now, I have personally experienced the very special commitment that this Commonwealth has made to its elderly. Pennsylvania's network of aging services has long served as the model for development of community-based services across the country. Whatever the impact of the Federal budget may be, the commitment of Pennsylvania to adequately serve its elderly will not lessen. The creation less than 2 years ago of a cabinet level department on aging here in Pennsylvania is the most visible symbol of that commitment. It is our expectation that it will continue to be expressed through substantial support of that aging network and the expansion of certain statutory responsibilities for the those least able to advocate in their own behalf.

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I must express concern however about the difficulty of the task which is assigned to those coming to testify before you today. Assessing the impact of any particular approach, whether it be a budget cut, a regulatory change, or consolidation into a grant, is very difficult because of the sparsity of information, and often contradictory information available to the public. As is always the case, as I well understand from my own experience here in Pennsylvania as a member of the Appropriations Committee, there never seems to be enough time to carefully review every line of

every budget proposal and it is not always possible to accurately assess the impact of such proposals.

Returning control of human services programs to the States is a tangible sign of the commitment which this administration has, to return the Federal Government to its basic constitutional responsibilities. The creation of broad block grant programs is probably the most significant step in that direction. However, it must also be recognized that at least some portion of the savings which have been envisioned by the President are merely savings to the Federal budget. Unless there is forthcoming substantial relief from the maze of Federal regulations in many of these programs, the costs will remain the same, but simply be shifted to the State and local governments. I serve as senator in a State which has made substantial commitment to human services, while at the same time suffering substantial economic losses through migration to the Sun Belt. I would suggest, therefore, that consideration be given to ways in which the transition to consolidated block grants and their smaller total dollars, may be eased. I would urge you and your colleagues to consider swift enactment of grant reform legislation such as the Federal Assistance Improvement Act sponsored by Senator Roth of Delaware. Though I am not familiar with all the details of that proposal, it would be my wish that there would be clear and concise principles, which would require simplification of the process of spending, and relief from excessive regulation.

It would appear to me that one of the ways in which the Congress can help to insure that at least some portion of the savings to the Federal budget are realized as savings to the States as well, would be to set a cap on administrative costs in the creation of each of the block grant programs. Such a move would be a sign to the States that it is expected they will act with the same concern for cost effectiveness as the Congress. Though it would likely be more a philosophical statement than a typical statutory detail, it may be appropriate to create a system of incentives for reducing administrative costs and increasing the actual level of service to consumers. Government at the State and local levels should be rewarded for finding creative ways in which to cut costs while maintaining acceptable levels of service delivery. In our own State, I have no doubt that if a major effort at paperwork consolidation were to be made in our executive departments, millions of dollars could be realized in savings each year. The encouragement of common application forms, efficient computerization, and the implementation of generally sound fiscal practice would appropriately be part of the language of grant reform legislation.

The second concern which I have about the consolidation into block grants of presently categorical programs has to do with a need which is difficult to express, but one which ought to be addressed. It is my view that what is important in this process is that we maintain some guarantee that those most in need are those who are appropriately served. I am concerned that the creation of these block grant programs and their associated reduction in total available funds has the potential for creating competition among needy groups. By throwing together diverse categorical programs the competition is inevitable. An example of this problem in Pennsylvania may be enlightening for you. As I mentioned earlier, our most visible symbol of Pennsylvania's commitment to its elderly citizens is the department on aging. Act 70, which created the department, guaranteed that a significant percentage, some 14 percent, of federally appropriated title XX Social Security Act funds would be transferred from the department of public welfare to the department of aging for administration of its programs for older people. However, the General Assembly of Pennsylvania only provided that guarantee for 1 more year. When the consolidation of 12 programs into the social services block grant and the resulting 25 percent cut in funds is considered, our programs for older people could very simply be in serious financial trouble.

Allow me to explain. In Pennsylvania we have actively promoted the creation of a community-based network of services for older people which draws on a large variety of funding sources. Funds from different sources have been commingled in agency budgets so that each dollar could go its furthest in providing service. Funds from the Older Americans Act, title XX Social Security Act, agricultural commodities, ACTION, Community Services Administration, as well as local government and private funding, all have been woven in an intricate pattern of funding for our senior citizen services. If, in competition with other deserving groups, there is a significant drop in title XX funds appropriated to services for older people, there would in turn be a significant drain on Older Americans Act funds. Title XX funds have been traditionally used to serve those most in need, which also has meant the funding of the most expensive services, which have been subject to the greatest inflationary pressures. Our title XX income-eligible program participants tend to be those in need of services such as transportation and home care and one need only to

glance at the gas pump to understand the inflationary spiral in which these services have been caught.

It would seem appropriate that some recognition be given to the fact that consolidation into block grants and reduction of resources can have an as-yet-undetermined impact on programs at the local level. In response to the potential problem, it would appear that either some targeting of block grant funds be made by the use of appropriate language or flexibility of the highest order be left to the States to spend their money appropriately. In either case serious consideration should be given to the language of purpose and intention when transmitting these funds to the various States.

One proposal which I hope would receive some consideration in the Congress would be a hold-harmless provision that would allow a transition period for the States to make careful adjustments in the level of support for programs. For instance, all those categorical programs which would be consolidated under the social services rubric would be guaranteed a proportion of the funds available equivalent to the proportion of funds previously available to them. Such a provision would initially eliminate the competition among human service programs for what they are likely to perceive as seriously diminished resources. That hold-harmless provision could have a reasonable time limit, such as 3 years, which surely would allow both the Congress and the States to carefully assess the impact of budget cuts.

In Pennsylvania, such a provision would at least reduce the drain on Older Americans Act funds in order to allow for the development of alternatives that would be more cost efficient. I believe that in Pennsylvania, because of the mixing of varied funding streams in the aging systems network, the proposed budget cuts will require more than simply a reduction in services but a massive rethinking of the whole structure of that network. It is simply not realistic to expect that process to occur in an effective way in only a matter of months.

As to the consolidation of titles in the Older Americans Act, I wholeheartedly endorse that concept. There is good reason to consolidate titles III–B and III–C programs as, in practice, separating nutrition and social service programs promotes an isolation of those functions, when all efforts should be made to integrate them. I am assuming that such efforts will then require that area agency on aging programs be combined with nutrition programs, an arrangement which Pennsylvania has pioneered, as it did the creative use of varied funding sources. I would hope that consideration will also be given in this regard to careful examination of the regulations which were only recently promulgated pursuant to the 1978 Older Americans Act Amendments. Without such consideration, the reduction of funds actually available to State and local aging units will be of greater impact. With concurrent reductions in other funding, the need to rethink priorities and restructure programs will be hampered if the same regulations are in place.

It is clear that a reduction in funds of some $33 million in title III Older Americans Act funds will have to have some impact on the delivery of services to those most in need. However, when it is considered that the increased funds had only been targeted for nutrition in the Carter budget, then it is also clear that the reduction can be absorbed with less discomfort. To aid in this transition to reduced funds however, it will be helpful to encourage the greatest flexibility in the use of those dollars. I hope that whatever provisions are finally adopted in the regard will guarantee that such flexibility is maintained down at the triple A level, not only at the State level. It is at the local level that needs are most accurately identified, and met. In a State like Pennsylvania, with a geographic and demographic mix that includes mountains and rolling farmland, asphalt ribbons and coal mines, skyscrapers and stables, the needs of our citizens cannot be lumped together in one broad sweep of the regulatory pen.

I would like to now spend just a few moments looking at a few of the specific budget cuts and their potential impact on the elderly.

1. HEALTH SERVICES

Before a decision is made with regard to elimination of health planning, I hope that consideration is given to the savings which have been generated by the health systems agencies. In our own region, HSA of southeastern Pennsylvania in 1980 eliminated some 20 percent of proposed capital expenditures and thereby saved one-quarter of a billion dollars in depreciation which would have been paid on those expenditures. That is equivalent to a savings of $150 million dollars in medicaid and medicare reimbursement. I recognize that the record for HSA's across the country, even within our own State, are spotty at best. However, until an effective competitive system for health care financing is developed, I would support the retention of the health planning agencies.

2. MEDICAL CARE

The elderly constitute only 16 percent of the medicaid beneficiaries, but account for a substantial portion of the total cost. Though reports differ on the proportion, it would appear that it is about 40 percent. This includes payment of about 50 percent of the total cost of nursing home care in this country. It is important to note that the majority of those elderly eligible for medicaid are widowed women over the age of 75.

Since 1975, the number of beneficiaries has remained fairly constant, and income eligibility levels have not risen substantially. Yet since 1974, the costs for the program have increased astronomically, from $9.7 to $21 billion. It is very important to restate those thoughts. We have not expanded benefits, nor increased the number of beneficiaries, yet the cost has grown almost 250 percent in those 6 years.

The problem is not the cost of medicaid, it is the cost of health care. Putting a cap on medicaid can only reduce the services offered, or require substantial copayments for services. For the elderly who are in need of health care services we merely intensify the difficult decisions about household and personal expenses. "Do I heat, do I eat, or do I go to the doctor, and get my prescriptions filled?"

I hope that more consideration is given to this whole area. I would recommend that in the medicaid program, while there is a need for increased flexibility to the States, it is necessary to target the cuts so that those most dependent are not hurt. In addition, fraud and mismanagement in the program must be targeted for the most vigorous investigatory and enforcement program imaginable.

The consumers of medicaid services are not those perpetrating fraud or causing mismanagement. At the very least, there must be initiation or complicity on the part of the provider. The administration's own example of the Chicago dentist who collected $100,000 in medicaid payments for services not rendered is a perfect example. At least some portion of the inflationary increase in medicaid costs could be saved by vigorous prosecution of such criminal abuse of the program. I believe the administration's estimate of corruption costing $656 million per year is on the low side, and in Pennsylvania we are embarking on such a program of prosecution.

3. FOOD STAMPS

The food stamp program should suffer serious reductions in funding levels. However, raising the income eligibility levels is not necessarily the most judicious approach. The elderly, whose sole source of income is social security, would likely be ineligible for any further assistance. The average couple would be above the 130-percent-of-the-poverty-level standard by about $25 per month. In addition, those whom we would anticipate being eligible with the introduction of the expanded medical deduction and increase in standard deductions will not be, because those changes would not be instituted. It is not clear how many of the 400,000 households that may be eliminated are elderly, but I would recommend that such data be examined more closely.

I would encourage the continued improvement of management in the program and the vigorous pursuit of fraudulent recipients.

4. SOCIAL SECURITY

It is with regard to the social security benefits that the most controversy is likely to ensue. Reducing cost-of-living adjustments instead of indexing them to wage increases is an equitable approach, but one likely to meet with considerable resistance, since the benefit was won only after long battles. Attention should be given in this area to the various recommendations which have been made in recent months by the Presidential Commission.

Elimination of the minimum benefit provision needs more study. It is not clear how many will be affected, but at least some will be widows between 62 and 65 who must have that $122 monthly to survive. If the intention of the elimination of the minimum benefits payment is to prevent the "double-dipping" by those who have had short periods of covered employment and long periods of coverage on social security exempt systems, then that should be the change made. In addition, consideration should be given to careful examination of the supplemental security income program. SSI has served as the major "safety net"for those who have not been in covered employment or eligible for only minimal benefits. It is appropriate to shift the responsibility for the support of those who have not contributed to the maintenance of the social security trust funds to the general fund budget. Whether or not it is considered by some to be the Government's welfare program for the elderly, blind, and disabled, SSI is the appropriate program to pick up the slack in providing for those deprived of the social security minimum benefit payment. I would support such efforts to help restore solvency to those trust funds.

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Finally, I would like to once again thank you for the opportunity to testify before this committee. I do not envy any of you the responsibility which you have in debating the merits of each of these budget proposals. I would only caution that each cap imposed or reduction made does affect people, and your decisions should be made with an eye to increasing flexibility, reducing the regulatory burdens, and encouraging the limitation of administrative costs. This process would allow those who serve our elderly to do so with minimal disruption.

Thank you.

Senator HEINZ. One of the witnesses in the second panel has to go and appear before city council at 11:15 a.m. I am going to call Dr. Stuart Shapiro, commissioner of the Philadelphia Health Department, to testify now. He would normally have been with panel No. 2. As soon as he has concluded—and I have discussed this with the other witnesses—I am going to ask Miss Holliday, Mr. Thomas, and Mr. Zucker, all of whom are here now, to come forward and testify.

Dr. Shapiro, we thank you for being here. We understand your many pressing commitments. We are honored to have you.

STATEMENT OF DR. STUART SHAPIRO, COMMISSIONER, PHILADELPHIA, PA., HEALTH DEPARTMENT, ACCOMPANIED BY ANNA BELLE WOODFIN, PHILADELPHIA HEALTH MANAGEMENT CORP.

Commissioner SHAPIRO. Thank you, Senator Heinz. It is a pleasure to be here. [Applause.]

I am Stuart Shapiro, health commissioner for the city of Philadelphia, and I am here to discuss a potential public health danger of serious consequence to all Philadelphians. Usually, I reserve this type of discussion for specific disease problems or epidemics. In fact, just last week I reported on the measles epidemic.

Today, however, I wish to draw your attention to a wholly different type of threat to the health of the citizens of Philadelphia. At present, the Congress of the United States, as we all know, is in the midst of considering a Federal budget which, if adopted in its present form, may radically and precipitously change the relationship of the Federal Government to our cities and States and which, if adopted, has the potential to negatively affect the health of every elderly citizen in Philadelphia. While the process involved in the current budget proposals make it impossible at this time to fully explicate the exact impact of each and every budget cut, several warning signs are already clear.

First and foremost, this budget would drastically change entitlements of the people of Philadelphia, making access to vital health services a function of State action rather than Federal policy.

Second, the amount of Federal support for a large set of health problems vital to the people of Philadelphia will be reduced, not by 25 percent but, in fact, by 34 percent, given an inflation rate of 11 percent.

Third, the rapid and unplanned rate of these changes, if enacted in their present form, may seriously destabilize the institutional framework for guaranteeing the public's health.

Before we move to a consideration of the specific cuts, let me put the issues in perspective. The elderly are the most rapidly growing segment of our population. Early analysis of the census data suggests that 20 percent of the population is elderly. This compares to less than 5 percent at the turn of the century.

This population could be described as living in a continuum of loss: Loss of independence, loss of health, loss of mobility. Their health problems are chronic rather than acute.

Eighty-one percent suffer some form of chronic illness. The per capita health cost today is 3.4 times that of their younger counterparts. Yet, the existing system of care organized around a medical model of acute care is institutionally biased and is not organized to support a system which meets the rehabilitation and maintenance needs of this population.

The needs of the elderly require an integrative solution. The ideal continuum of care would be constituted by an array of medical, health, social and support services provided in a variety of settings, including institutions, home, and community.

The overall impact of the proposed budget cuts will not be to improve the system but, rather, they have the potential to further distort the system by removing needed health and social supports from the marginally independent elderly, thereby forcing them tragically into institutionalization and poverty.

In other words, not only do the cuts hurt people, they could ultimately result in increased costs. Let's deal with some specifics.

The medicaid cap, in combination with cuts in medicare, will have a serious impact on the care available to the elderly in Philadelphia. Medicaid cuts will affect reimbursement for medical care, may ultimately decrease optional services upon which the elderly are particularly dependent—drugs, eyeglasses, and hearing aids—and may affect the long-term care available to elderly who become eligible for medicaid because of the exorbitant cost associated with nursing home care.

Hospitals play an important role in acute care for the elderly for what are acute episodes of chronic illness. The cuts in medicaid, which could either increase the direct cost of care to the elderly, or place hospitals at risk—and it is important to point out that hospitals will be placed at risk through the loss of funds—will affect the elderly's ability to use hospitals and receive the needed services. The elderly today in Philadelphia account for 23 percent of all hospital admissions and 35 percent of all days in our hospitals.

It is, however, in the area of long-term care, especially nursing home care, where the elderly as a group can be most adversely affected by cuts in medicaid. It is the long-term care expenses that can eat up an elderly person's equity, thereby causing him or her to become medically needy and eligible for medicaid.

Believe it or not, approximately 50 percent of nursing home medicaid patients, when they entered the nursing home, were not on medicaid. They were driven into a level of disability-induced poverty.

There is already a shortage of nursing home beds in Philadelphia largely attributable to low medicaid rates. Although there are currently 59 nursing homes in Philadelphia with almost 7,300 beds, it has been shown that there are now 1,500 medicaid eligibles who could not find nursing home beds last year, and by 1984, it is estimated that we need an additional 3,785 beds.

The elderly will find it difficult to procure home health care in Philadelphia. Medicaid reimbursement for home health care is already low. It is $13 an hour, compared to an actual cost of $18. And

medicare reimbursement is so restrictive that home health care is practically nonexistent in Philadelphia.

An expansion of home health benefits under medicaid now appears unlikely and the liberalization of benefits which were enacted by the last Congress have been targeted for rescission in this Congress.

Reduction in expenditures for home health care or other services to the homebound elderly will add impetus to the bed shortage because those who cannot remain at home will seek the most costly and, to most of them, the less desirable alternative of home nursing care.

The prevalence of mental illness and emotional distress is higher among those aged over 65 than in the general population. Up to 25 percent of older persons have been estimated to have significant mental health problems, yet only 4 percent of the patients seen in public outpatient mental health clinics and 2 percent of those seen in private psychiatric offices are elderly.

As restrictive as the original medicare legislation was in regard to financing ambulatory mental health treatment, inflation has further reduced the coverage endorsed by Congress. Since 1965, charges for psychiatric office visits have increased by almost 80 percent with no corresponding increase in the maximum outpatient benefits.

Today's elderly are reimbursed for less than half of the services that they would have received a decade ago. As a result of these restrictions, often the only option for diagnosing the problems or treating the elderly with mental illness is to hospitalize them, and ultimately this is more expensive.

A broad-base commission, the President's Commission on Mental Health, in 1978, recommended that the medicare legislation be amended so that community mental health centers be given provider status, that beneficiary coinsurance be reduced from 50 to 20 percent to conform to the coinsurance requirements for the rest of medicare, that allowable reimbursement for outpatient treatment be increased to at least $750 a year and that 2 days of partial hospitalization be substituted for each day of inpatient care.

During the last session of Congress, Senator Heinz sponsored creative and progressive legislation to accomplish these noble goals. Senator Heinz has always been an advocate for the mental health needs of the elderly, and I would hope that he would continue to support these important proposals. It is so important.

In addition to the health services, the proposed budget cuts will affect numerous programs which enable the elderly to maintain an independent lifestyle; including programs such as social and nutritional services, low-income energy assistance, food stamps, housing subsidies, transportation, and legal services.

I am not a specialist in these programs and other witnesses will address them today. I would just like to briefly mention energy and the elderly.

The elderly often live in older, less fuel-efficient houses. Forty percent of the elderly in Philadelphia live in homes built before 1940. Seventy percent of the elderly own their own homes existing on a median household income of $4,700.

It is estimated that these elderly are spending in excess of 50 percent of their income on fuel costs. Because of the chronic health problems, most elderly cannot consume less energy to reduce fuel bills, nor can they afford to undertake expensive weatherization measures.

A program for weatherization and low-income energy assistance was instituted to provide relief to poor people because of oil deregulation, and this program should not be cut.

In conclusion, it is my position that the proposed cuts are dysfunctional in human terms to the low-income elderly who suffer from the cumulative effect of cuts in service and from a lack of systems.

This will result in increased utilization of costly institutional services and discourage alternatives to institutionalization. But cuts in medicaid particularly affect the very fiber of the safety net for the elderly poor.

The effect of the cuts will be to paralyze the nursing home and home health care industries. Attempts to cut costs and reform Government programs to support the elderly should be developed based on rational objectives and with an understanding of the continuum of care concept.

Otherwise, the effect will be to push the elderly toward an unwanted and expensive institutionalization. Although medicaid reimbursement rates for nursing home care may be capped, increased utilization of nursing home beds caused by reduced alternative and support services, may lead to an increase in the absolute cost of the medicaid program.

Regulation and reimbursement programs should be modified to support a system. Demonstration projects should be encouraged. Philadelphia is 1 of 12 sites participating in the national long-term care channeling demonstration program, which is directed toward developing innovative uses for medicaid, medicare, and title XX funds to support older persons in their efforts to remain in the community.

I hope everybody here joins me in encouraging you to support the continued demonstration programs such as this. Additionally, based on the administration's interest in competition in the health sector, which I conceptually support, I believe it would be useful for your committee to carefully study the important work done by the Levenson Gerontological Center at Brandeis University.

They focused attention on developing an analog to the HMO—a personal care organization. This concept, utilizing the capitation model, might be a creative approach for building in the economies of a prepaid system of services to a long-term care system.

Finally, the city of Philadelphia Department of Public Health has adopted the following active strategy in order to alleviate the potentially serious problems that the elderly may face:

First, we will work closely with you, Senator Heinz, and with the congressional delegation, with executive departments of the Federal and State governments to be sure that changes being developed will not seriously threaten essential health services provided to the people of Philadelphia.

Second, the health department is joining with hospitals, nursing homes, and other public and private providers in an attempt to

insure that duplication of services is not only reduced but eliminated.

And, third, that the public health department is going to make sure that its expenditures are efficient and managed in a business-like manner in order to receive maximum impact for minimum expenditure.

We in Philadelphia look forward to working with you in this endeavor. To do otherwise, and to cling to the rhetoric about a safety net is nothing less than a disservice to those who will suffer the effects of the program cuts.

With me today is Anna Belle Woodfin of the Philadelphia Health Management Corp., who has been a consultant to the health department on the effects of these proposals.

Thank you, Senator Heinz. [Applause.]

Senator HEINZ. There are so many questions I would like to ask you.

Commissioner SHAPIRO. I am delighted to answer them.

Senator HEINZ. Let me ask you first about the various health block grant proposals. As you know, there is a preventive health service block grant to be proposed. There is a health service block grant. The preventive health service block grant consolidates 11 programs.

The health service block grant consolidates 15 programs, including community health centers, migrant home health services, maternal and child health, hemophilia, sudden infant death, emergency medical services, mental health, and substance abuse services.

What is your feeling about the kinds of consolidations proposed? Do you think that they can work if there are a reasonable number of priorities and safeguards built in, or do you feel they are unworkable?

Commissioner SHAPIRO. Surprisingly, I support the block grant concept. I think it is very workable. I think there are some problems with what is being done. I think, first, it is moving too quickly. I think that States are not geared up to plan and operate programs.

Second, I think that we ought to understand that no matter how much fat we eliminate and how much fraud we eliminate, and how much management efficiency we do instill, the dollar amount of cuts is going to be 66 percent of the dollars, and we are dealing with people's lives. There just isn't that much fat.

Third, while I say I support the block grant concept, I think that in the interest of local services, as a health commissioner, I would like to administer those programs, working with hospitals, the HSA, providers, consumer alike.

While I think the block grants do make some sense, I don't think the States are geared up to handle them. How are they going to decide whether Philadelphia gets X, and Harrisburg Y, and Allentown Z?

What we have to do, I think, is look at some of the large cities like Philadelphia and say, all right, Philadelphia, you be accountable to us. So, instead of 50 block grants we may end up with 80 block grants around the country because I think a city like Philadelphia does have the capability to manage a block grant program.

I would hope, Senator, that as this begins to move through the process that in the interest of local control, getting to the people, bringing the services to the people, that we could eliminate that extra layer of bureaucracy and have the grants come directly to Philadelphia because with 66 percent of the dollar I can do more then if we have to go through another layer of bureaucracy at the State.

Senator HEINZ. How do we do that?

Commissioner SHAPIRO. You write the law.

Senator HEINZ. How do we get around the State?

Commissioner SHAPIRO. It is very simple. The proposal has not yet been submitted from the Office of Management and Budget where it says that all of these programs will be grouped together and the money will go to the States.

Senator HEINZ. I didn't phrase my question as well as I should. If the people of Pennsylvania, through their State legislature, have created a department of health for the State of Pennsylvania, it presumably has some important functions.

I assume one of the functions that exists is to support the activities of public health officials like yourself. Why is a State health department incapable of providing the appropriate support and serving as a conduit?

Commissioner SHAPIRO. The decisions for disbursement of funds adds an extra layer of bureaucracy, of forms. I want to be held accountable, and I have no problem being held accountable to the State level or to the Federal level.

But the minute you put in a middle man it raises the price. It raises the cost.

Senator HEINZ. One of the realities of State and local government is that State government creates all local government. The city of Philadelphia was created, whether we like it or not, as the one and only first-class city under the municipal code of the State of Pennsylvania.

I didn't choose it to be that way. That is the way it was long before you or I were born. And I think you have got a serious conceptual, and maybe even constitutional, problem.

Commissioner SHAPIRO. Not at all, Senator. Right now we receive grants from the Federal Government every day that do not go through Harrisburg. When the block grant approach is made you could simply establish a procedure for city grants.

There is no reason, just like under the current family planning, maternal, and infant care, that money comes directly to the city health department. At least there is no constitutional reason why that can't be done in order to eliminate an extra layer of bureaucracy.

Senator HEINZ. Here is the problem that you have to help us, as Federal legislators, to address, which is, how do we know what the right amount of that is for Philadelphia? How do I deal with Erie, Scranton, Harrisburg, York, Lancaster, Pittsburgh, and Philadelphia?

Am I supposed to make the decision for each of those cities? Am I supposed to become semicommissioner of public health for the State of Pennsylvania?

Commissioner SHAPIRO. The reality is, as the block grants are developed, is to say Pennsylvania last year got $2.6 billion; let's take 75 percent of that and give it to Pennsylvania.

They are not going to start juggling at this point, I would guess, between New Jersey and Pennsylvania. Then the State, which has some more flexibility, may be able to juggle some of those moneys.

And all I am asking, as commissioner of health for the city of Philadelphia, is make sure that I get my fair share without an extra level of bureaucracy.

Senator HEINZ. If I were in your position I would want exactly the same thing. However, I am in my position and the difficulty is that what you, in effect, are asking me to do, as one of two Senators from the State of Pennsylvania, is to make allocation decisions throughout the State.

We all pay taxes to the State, and I think we ought to demand services from the State. One of those services I think we ought to get are allocation decisions. There is this department of public health for the State of Pennsylvania. I don't know how many thousands of people there must be in it.

I know how many people on my staff deal with health matters. I have three. I do not have thousands. Who should be making those allocation decisions? Me and my staff or the State health department?

Commissioner SHAPIRO. Even if you simply say, and I am concerned about the people who are in this room——

Senator HEINZ. So am I. I am also concerned about making intelligent decisions. [Applause.]

Commissioner SHAPIRO. Right. And I am simply saying we have no problem with program consolidation and would love to be relieved of having to deal with each of these individual proposals.

Just say to us, Philadelphia, I, as your Senator, will make sure that you get your fair share, and that is all we are asking. And we are disturbed that maybe we won't get our fair share, and we turn to you, our Senator, and say, make sure that everybody gets their fair share and that it is done in a rational way.

Senator HEINZ. What I hear you saying, and I understand it to a certain degree, because I know things have not always been easy, is you don't trust Harrisburg.

Commissioner SHAPIRO. I would never say that. [Applause.]

By the way, your three health staff members have been extraordinarily helpful to the Philadelphia Health Department. It is a pleasure always to work with your staff.

Senator HEINZ. Thank you. Let me ask you one question. I know you have to go. One last question regarding the medicaid count. It seems to me there are a number of things that could be done if the amount of money for medicaid was frozen. I don't necessarily support that, by the way, but one of the proposals is to give States—this was advocated as part of the proposals of the National Governors Association—to give the States some dozen areas of additional flexibility so that they would have a good deal more say in what services they had to offer and had to provide.

I am not talking about the other half of the National Governors Association proposal that would have capped long-term care. Let's just leave that side for the moment. What do you think of the

proposals for the kinds of flexibility that NGA and others have proposed for the medicaid program?

Commissioner SHAPIRO. I am not opposed to flexibility but I think we have to be clear. If you take $1 billion, no matter how you slice it, no matter how much management efficiency you try to institute, we are kidding ourselves if we do not think that a $1 billion cut is going to hurt people.

You can put in all the flexibility you want, and we can devise ways to save a little bit here or there, but the minute we begin to cut those kinds of dollars people are going to be hurt, and I am delighted to work with you [applause] and I know that you are sympathetic to these problems but I think the reality is, no matter what we do, problems are going to exist.

Sure, we can fiddle here and we can fiddle there, and we can work with things like prospective budgeting, shared services, and capitation. And we should have the flexibility. But the bottom line is that ultimately the minute we start saving money by eliminating home health care, which would be the first thing to go—it is going to drive people into institutions, it is going to increase mental illness, it is going to have so many effects.

So, a $1-billion cut is ultimately going to hurt people. [Applause.]

Senator HEINZ. There are some people who want the flexibility so that they can exercise what is known as—this is my last question. We will get you out of here—prudent buyer power. Do you think that is a good idea or bad idea?

Commissioner SHAPIRO. I think the prudent buyer concept which—do you want to explain it or would you like me to for the people here?

Senator HEINZ. Why don't you explain it. You are the expert.

Commissioner SHAPIRO. Right now, under medicare and medicaid law, people have freedom of choice and there is a class of system of care where poor people or elderly people choose their hospital and then various rates of reimbursement are established to pay for that hospitalization.

It has been proposed by some people that under medicare, but more likely under medicaid, that States will be able to eliminate the freedom of choice and allow hospitals to bid for patient care services so we can begin to save money and build some competition into the health care system.

A year ago I opposed that. Surprisingly—John Ratto will be surprised to hear me say this——

Senator HEINZ. So will Eileen Barbera.

Commissioner SHAPIRO. I am not opposed to the prudent buying concept if there are safeguards, and that is the key. We don't want to create a two-class system of care with medicaid mills.

I am not convinced that we have the technology yet to move to the prudent buyer concept under medicaid. I think it can be developed and I think in Pennsylvania we wouldn't have a problem because there are decent people in State government who care about poor people facing budget restrictions but——

Senator HEINZ. They just won't give Philadelphia the money.

Commissioner SHAPIRO. Right. But, again, I think that we have to make sure that there are safeguards to make sure that we don't

end up with medicaid mill hospitals, which we could in some other States which want to move to this for some very nefarious motives.

So, I do support it in concept. It is competition. I have always supported competition in the health care sector, but we have got to have safeguards to make sure that poor people and elderly people are not put into dirty hospitals, are not put into hospitals with inadequate nursing staff, with inadequate doctoring staff, and with inadequate technicians.

I think if we can do that, I have no problem with the concept.

Senator HEINZ. Dr. Shapiro, thank you very much. We value your testimony. [Applause.]

[The prepared statement of Dr. Shapiro follows:]

PREPARED STATEMENT OF DR. STUART H. SHAPIRO

I am Stuart H. Shapiro, M.D., M.P.H., health commissioner for the city of Philadelphia. I am here to discuss a potential public health danger of serious consequences to all Philadelphians. Usually I reserve this type of discussion for specific disease problems or epidemics. In fact just last week I reported on the threat to public health of the increase in measles in the community.

Today, however, I wish to draw your attention to a wholly different type of threat to the health of the citizens of Philadelphia. At present, the Congress of the United States is in the midst of considering a Federal budget which, if adopted in its present form, may radically and precipitously change the relationship of the Federal Government to our cities and States. Central to our concern here, the Federal budget, if adopted, has the potential to negatively affect the health of every elderly citizen in Philadelphia. While the process involved in the current budget proposal makes it impossible at this time to fully explicate the exact impact of the proposed budget, several warning signs are already clear.

First and foremost, this budget would drastically change entitlements of the people of Philadelphia, making access to vital health and human services a function of State action rather than Federal policy. Second, the amount of Federal support for a large set of health programs vital to the people of Philadelphia would be reduced by 34 percent. Third, the rapid and unplanned rate of these changes, if enacted in their present form, may seriously destabilize the institutional framework for guaranteeing the public's health. Such severe changes may seriously and negatively affect the community and the voluntary nonprofit health delivery network which is responsible for providing care to all the citizens of Philadelphia.

Our detailed analysis of the proposed Reagan budget cuts indicate that they will adversely affect the health of the vulnerable elderly population of Philadelphia (especially the low-income elderly and those who suffer from chronic disability) through the cumulative effects of cuts in medicaid, health and human services funding streams, and cuts in other programs which enable the elderly to meet their health needs while maintaining themselves in the least restrictive environment.

Before we move to a consideration of the effects of specific cuts, I would like to establish a conceptual framework for discussing the problems of the elderly:

(1) The elderly are the most rapidly growing segment of our population. Early analysis of the census data for Philadelphia indicates that they may now make up as much as 22 percent of our city's population while at the turn of the century they constituted only 4.1 percent. Equally dramatic is the fact that the 75+ and 85+ population is growing at 3 times the rate of the 65+ group. An estimated 17 percent of the noninstitutionalized elderly population in the Delaware Valley region are functionally impaired to the degree that they require assistance in personal care, mobility, and emotional capacity, and 15 percent live below the poverty line.

(2) This population can be described as living in a continuum of loss—loss of independence, loss of health, and loss of mobility. Their health problems are chronic rather than acute; 81 percent suffer some form of chronic illness and 17 percent of them a resultant chronic disability. Their per capita health care costs are 3.4 times that of their younger counterparts; 15 percent live on incomes at or below the poverty level.

(3) Yet the existing system of care, organized around a medical model of acute care, is institutionally biased and is not organized to support a system which meets the habilitation, rehabilitation, and maintenance needs of this population.

(4) The needs of the elderly require integrative solutions. The ideal continuum of care would be constituted by an array of medical, health/social, and support services provided in a variety of settings including institutions, home, and community.

(5) The overall impact of the proposed Reagan budget cuts will not be to improve this system, but rather they will have the potential to further distort the system by removing needed health and social supports from the marginally independent elderly, thereby forcing them into early institutionalization and poverty. In other words, not only do the cuts hurt people, they may not be cuts at all.

MEDICAID AND MEDICARE

The medicaid cap, in combination with cuts in medicare, will have a serious impact on the care available to the elderly in Philadelphia. Medicaid cuts could affect reimbursement for medical care, could decrease optional services upon which the elderly are particularly dependent (i.e., drugs, eyeglasses, hearing aids, etc.), and could affect the long-term care available to elderly who become eligible for medicaid because of their exorbitant health care expenses.

HOSPITALS

Hospitals play an important role in acute care for the elderly for what are frequently acute episodes of chronic illness. Cuts in medicaid or medicare which increase the cost of care to the elderly, or which place hospitals at risk through loss of funds, will affect an elderly population who need and use more hospital services (inpatient, outpatient, and emergency) than their younger counterparts. Nationally, the elderly account for 23 percent of all hospital admissions and 35 percent of all days of care in community hospitals. One in five elderly report hospitalization in a given year; those who are hospitalized have twice the length of stay and are twice as likely to be rehospitalized than the under 65 age group.

In addition, a continued shortage of nursing homes and home-based health and social services strain the hospitals' ability to appropriately discharge patients. This increases the volume of free care which hospitals most provide and stretches their resources even further.

LONG-TERM CARE

It is in the area of long-term care, especially nursing home care, where the elderly as a group can be most adversely affected by cuts in medicaid. It is long-term care expenses that can eat up an elderly person's equity, thereby causing him/her to become "medically needy" and eligible for medicaid. Approximately 47 percent of nursing home medicaid patients, for example, were not initially poor but have fallen to a level of "disability-induced poverty."

Medicare, the national social insurance program developed to provide health care to the elderly, currently pays less than 40 percent of their health care costs. The burden of health care expenditure for aged individuals, especially long-term care, is increasingly shifting to the medicaid program. This can be clearly documented with reference to nursing home care. In 1978, nursing home outlays accounted for little more than 2 percent of the total medicare budget while constituting over 40 percent of the medicaid outlays.

There is already a shortage of nursing home beds in Philadelphia, largely attributable to low medicaid reimbursement rates even with the increase last year. Although there are currently 59 nursing homes in Philadelphia with 7,327 beds, the HSA of southeastern Pennsylvania estimates that 1,500 medicaid eligibles could not find nursing home beds in 1979, and that by 1984, Philadelphia will need an additional 3,785 beds. The average cost of nursing home care in the Philadelphia region in 1976 was $11,711 per year. On the average, however, 75 percent of the disabled elderly had incomes of less than $7,000.

Given the percentage of the State medicaid budget spent on nursing home care, it is difficult to see how reimbursement rates can keep up with nursing home costs. If they do not, our experience in Philadelphia shows this will depress the nursing home industry, making it difficult for medicaid patients to find beds.

HOME HEALTH CARE

Similarly, the elderly will find it difficult to procure home health care in Philadelphia. Medicaid reimbursement for home health care is so low in Pennsylvania ($13, as compared to a cost of approximately $18 per hour) and medicare reimbursement so restricted that home health care is practically nonexistent in Philadelphia. An expansion of home health benefits under medicaid now appears unlikely and the liberalization of benefits under medicare is targeted for rescission under the Reagan plan.

A reduction or cap on medicaid reimbursement for nursing home care will likely continue the depression in the nursing home industry in Philadelphia, continuing

the excessive demand on available beds and the shortage of beds, especially for medicaid recipients. Reduction in expenditures for home health care or other services to the homebound elderly will add impetus to this bed shortage because those who cannot remain at home will seek the more costly and, to most of them, the less desirable alternative of nursing home care.

MENTAL HEALTH CARE

The prevalence of mental illness and emotional distress is higher among those over age 65 than in the general population. Up to 25 percent of older persons have been estimated to have significant mental health problems. Yet only 4 percent of patients seen in public outpatient mental health clinics and 2 percent of those seen in private psychiatric care are elderly.

Part of the problem is attitudinal. Too often the elderly are told, and many believe, that adverse psychological symptoms are natural aspects of growing old. Senility is a term loosely applied to thousands of older Americans, yet as many as 20 to 30 percent of those so labeled have specific conditions that can be diagnosed, treated, and often reversed.

The elderly are subjected to multiple psychological stresses brought about by such things as social isolation, grief over loss of loved ones, and fears of illness and death. Yet there are almost no outreach efforts or inhome services in existing mental health programs to bring them into contact with the kinds of services they need. The personnel who are available to help them are often inadequately trained to address their special concerns. Instead, we confine our older citizens to nursing homes where good mental health care is seldom available.

Nowhere are the deficiencies of the medicare program more apparent today than in the area of financing mental health care. The program has set an unfortunate precedent in public financing efforts for the discriminatory treatment of people with 190 days over a person's entire lifespan. In contrast, limitations for inpatient care in general hospitals are framed in terms of each episode of illness. Not only is there a 60-day lifetime reserve, but a person is eligible for 90 days of coverage for each episode of illness, regardless of how many times the person becomes ill.

Further, organized mental health care systems cannot qualify as providers of outpatient services under medicare unless operated by a general hospital, while physician-directed health care clinics, such as neighborhood health centers, can. In addition, a patient with a physical illness pays 20 percent of the bill for outpatient care, but the same patient with a mental illness must pay 50 percent of the bill up to $500 and 100 percent thereafter.

As restrictive as the original medicare legislation was in regard to financing ambulatory mental health treatment, inflation has further reduced the coverage endorsed by Congress. Since 1965, charges for psychiatric office visits have increased by almost 70 percent. With no corresponding increase in the maximum outpatient benefit, today's elderly are reimbursed for less than half of the services they would have been able to receive a decade ago. As a result of these restrictions, often the only option for diagnosing the problems of or treating the elderly with mental disability is to hospitalize them.

If we are to reduce the financial barriers to mental health services for the elderly, the discriminatory treatment of mental health services under the provisions of medicare must be eliminated.

The broad-based President's Commission on Mental Health in 1978 recommended that the medicare legislation be amended so that community mental health centers be given provider status, that beneficiary coinsurance be reduced from 50 percent to 20 percent to conform to coinsurance requirements for physical illness, that allowable reimbursement for outpatient treatment be increased to at least $750 per year, and that 2 days of partial hospitalization be substituted for each day of inpatient care.

During the last session of Congress, Senator Heinz, you sponsored creative and progressive legislation that would accomplish these noble goals and benefit thousands of elderly Philadelphians. I hope you will continue to support these important proposals.

In addition to health services, the proposed budget cuts will affect numerous programs which enable the elderly to maintain an independent lifestyle, including social and nutritional services, low-income energy assistance, food stamps, housing subsidies, transportation, and legal services. Although I am not a specialist in these programs, and other witnesses will address these programs, I would like to focus very briefly on three of these because of their particularly close relationship to the health status of the elderly.

SOCIAL SERVICES

Cuts in title XX and AoA social services and nutrition funds will reduce numerous services provided either directly or through contract to the Philadelphia Corp. on Aging (the local AoA) to support the elderly in the community. PCA estimates conservatively that the decreases caused by cuts in title XX (not accounting for the impact of lost CETA employees or losses from inflation) will include:

—51 less persons contacted through outreach.
—4,700 less calls answered by SARA (information and referral).
—25 fewer persons receiving protective services.
—16 fewer persons receiving foster care services.
—31 fewer persons receiving domiciliary care services in senior centers.
—1,477 fewer health screening sessions.
—128,000 less days of socialization/recreation programs.
—16,400 fewer hours of educational programs.
—28,700 fewer passenger trips in center minibuses
—8,000 fewer hours of counseling services.

Additional cuts in services to homebound elderly may also have to be made.

FOOD STAMPS

Approximately 36,000 elderly currently receive food stamps in Philadelphia because of their low-income status. A portion of these will no longer be eligible because of the revised income standards.

LOW-INCOME ENERGY ASSISTANCE AND WEATHERIZATION

The elderly often live in older, less fuel-efficient houses—40 percent of Philadelphia elderly live in houses built before 1939; 70 percent of elderly Philadelphians own their own homes, existing on a median household income of $4,700. It is estimated that these elderly are spending in excess of 50 percent of their income on fuel costs. The price of oil has risen 410 percent since 1973, the price of gas 160 percent.

A 34-percent cut in low-income energy assistance will severely affect lower income elderly. Approximately 18,000 have received energy assistance (30 percent of fuel bill) by February of this year in Philadelphia. In addition, the weatherization program which may be folded into the community development block grant has a waiting list of over 4,000 in Philadelphia (applications have not been taken in over a year).

Because of chronic health problems, most elderly cannot consume less energy to reduce fuel bills nor can they afford to undertake weatherization measures. This program which was instituted to provide relief to poor people because of oil deregulation should not be cut.

SUMMARY

Although the proposed administration budget has supposedly insulated the elderly from major budgetary reductions, the changes discussed may have long-term effects upon the service systems for the elderly.

It is our position that the proposed cuts are dysfunctional both in human terms to the low-income elderly who suffer from the cumulative effects of cuts in service and from a systems approach in that the ultimate result may be to increase the utilization of costly institutional services and to discourage alternatives to institutionalization.

Cuts in medicaid particularly affect the very fiber of the safety net for the elderly poor. The effect of cuts will be to paralyze the nursing home and home health care industries. In conjunction with reductions in home and community-based services for approximately 30,000 persons caused by reductions in social services dollars (which enable the elderly to maintain themselves in less restrictive and less costly living arrangments), this will result in increased suffering and earlier institutionalization for Philadelphia's seniors.

Some elderly do require institutional care and when that happens they should be able to find quality care. This is especially true for long-term nursing home care which often serves as an elderly person's last home as well as a place where medical care is provided.

However, given that most elderly choose to avoid this type of institutionalization and that it is frequently not the most cost-effective method of care, it does not make sense to remove the supports which enable the elderly to remain in their homes and communities.

Attempts to cut costs and reform Government programs to support the elderly should be developed based on rational objectives and with an understanding of the continuum of care concept. Otherwise, the effect will be to push the elderly toward unwanted and expensive institutionalization. Although medicaid reimbursement rates for nursing home care may be capped, increased utilization of nursing home beds, caused by reduced alternative and supportive services, may lead to an increase in the absolute cost in the medicaid program.

A long-term care system to support the needs of the elderly in a cost-effective manner would increase support for services to enable the elderly and their families to maintain residence in their homes (i.e. respite care, day care, home health, homemaker, chore, nutrition, and transportation services). In addition, it would build support for the elderly in personal care and congregate living settings and encourage the use of ambulatory health and mental health services.

Programs for integrating financing that would allow States to better coordinate the use of titles XVIII, XIX, AND XX funds should be expanded. In addition, it is important to build on the experience gained in Georgia and other States which have implemented demonstration programs with the benefit of waivers, but have not been able to apply this experience following the demonstration because of regulatory restrictions.

Regulation and reimbursement programs should support this system, and research and demonstration projects should not be cut from AoA. There is a sufficient body of knowledge about the elderly and their special needs which can be used to develop a system. Philadelphia is 1 of 12 sites participating in the national long-term care channeling demonstration, which is directed toward developing innovative uses for medicaid, medicare, and title XX funds to support older persons in their efforts to remain in the community. Philadelphia Corp. for the Aging is the recipient of this major grant and is in the process of developing and expanded case management and service delivery strategy for the most vulnerable elderly. The projected reduction of funds for demonstations could undercut the effectiveness of our efforts. Given the shrinking medicaid and title XX funds, the potential for this program to accomplish major changes in State medicaid and social service policies may be severely hampered. We hope you will support continued demonstration programs such as this, which ultimately will help restructure the medical and social service system for the elderly. Not only is this "good medicine" but it is good social and economic policy with the potential *to save* billions of dollars.

Additionally, based on the administration's interest in competition in the health sector, which we conceptually support, I believe it would be useful for your committee to carefully study the important work done by the Levenson Gerontological Center at Brandeis University. They have focused attention on developing an analog to the HMO—a personal care organization. This concept, utilizing the capitation model, might be a creative approach for building in the economies of prepaid systems of services to a long-term care system.

In order to help alleviate the potentially serious problems that the elderly may face, the city of Philadelphia Department of Public Health has adopted the following active strategy:

First, we will work closely with the congressional delegation of Philadelphia, with the Pennsylvania State Legislature, and with executive departments of the Federal and State governments to assure that the changes being developed do not seriously threaten the essential health services provided to the people of Philadelphia.

Second, the Health Department is joining with hospitals, nursing homes, and other public and private providers in an attempt to assure that duplication of services is not only reduced—but eliminated and that the limited public as well as private health dollars are spent efficiently.

Third, I wish to take this opportunity to pledge that the Philadelphia Department of Public Health will develop programs which earn the public's trust by the efficient expenditure of public funds, by the businesslike management of its programs in order to achieve maximum impact for minimum expenditure, and by an active effort to eliminate waste.

It is with this three-pronged effort of working with other levels of government and the private sector, plus improving our own programs, that we feel we can best serve the critical health needs of the people of Philadelphia and prevent, or at least minimize, the negative impact of the current budget proposal.

We in Philadelphia look forward to working with you in this endeavor. To do otherwise and cling to rhetoric about a "safety net" is nothing less than a disservice to those who will suffer the effects of the program cuts.

Thank you.

Senator HEINZ. I understand that there are some Spanish-speaking elderly in the audience. If there is someone who is bilingual who would like to do a simultaneous translation in the area where they are seated, that would be quite valuable.

Buenos dias a ustedes. We will find out where they are. [Applause.]

Gracias.

Now, we have three real experts with us. [Applause.]

I would be very surprised if you didn't know Lillian Holliday. [Applause.]

Jack Zucker, in the middle, from the Gray Panthers. [Applause.]

John Thomas, chairman, board of directors of the NRTA. [Applause.]

Mr. THOMAS. May I also say that I am a Philadelphian and I live here.

Senator HEINZ. Indeed. As a matter of fact, to the best of my knowledge, all three of you are Philadelphians and you live here, unless you have moved out lately.

I might also just say, I am going to ask Lillian Holliday to be our first witness, I was proud and pleased to be able to appoint as my sole delegate to the White House Conference on Aging this fall none other than your president of the Action Alliance, Lillian Holliday. [Applause.]

I only wish I had more appointments so I could have appointed even more fine people like Miss Holliday. One was all I got.

Lillian, may I ask you to be our leadoff witness?

STATEMENT OF LILLIAN HOLLIDAY, PRESIDENT, ACTION ALLIANCE OF PHILADELPHIA, PA.

Ms. HOLLIDAY. Thank you, Senator, for your kind remarks.

Senator Heinz, members of the Special Committee on Aging, ladies and gentlemen, Action Alliance of Senior Citizens of Greater Philadelphia is a coalition of 270 organizations with a membership of 50,000 senior citizens of all ethnic backgrounds.

We are here today to speak out against the devastation and havoc imposed on 26 million elderly in America. Senator Cranston of California said:

> The passage of the President's cuts is a costly victory for the Nation and a cruel abandonment of America's commitment, indeed America's obligation to help those most in need.

Some 125,000 households of elderly will be forced out of the food stamp program; 900,000 others could receive reduced benefits under a proposed formula.

The 187,000 older people will lose free legal service and seven Community Legal Service offices will be closed in Philadelphia. Everyone is concerned about the violent street crime against the elderly and we have organized a victim assistance program here through the Action Alliance.

But there is another type of crime against the elderly, and often we are the first to be called, and not the police. It is economic crime. Each day we refer people to legal services; problems with landlords, with stores, with someone forging another's signature and that person loses their property through sheriff's sales as a result.

Your committee knows of the economic crime against the elderly by bootleg boarding homes who confiscate possessions and checks and warehouse people. If you take away legal service for the poor, as the President proposes, you will condemn the elderly poor to a life of living hell.

I am submitting to you in our formal testimony, 18 case stories [1] of legal assistance to elderly people. Many of these cases and hundreds like them are referred to Community Legal Services by Action Alliance. We are prepared to go to bat, fighting to our last breath for the full funding of these services; 3.1 million people receiving minimum social security will get smaller checks and some will subsist only on supplemental security income. Community care services, which many depend on, such as homemakers service, meals-on-wheels for the shut-ins, and all the programs in title XVIII medicare, title XIX medicaid, and title XX social services, will be reduced 25 percent before inflation and then left to the States to deliver the services with no previous thought or planning as to the serious disruption in people's lives such measures will bring.

These services and the centers through which they are provided are the focal points of the communities they serve. They serve hot meals 5 days a week, carry the handicapped elderly to medical appointments, and serve as a gathering spot for those who have lost friends, family, and loved ones.

Centers are a good gathering place and keep many people alive given the high suicide rate among us just from the pressures of trying to survive. Don't cut services in these beacons of hope.

Mr. Reagan asked for an alternative in his February speech to the Nation. And I remember saying, "Give us an alternate." And I remember that charity starts at home and spreads abroad. [Applause.]

This is the American way. I remember from my school history that someone once said, when told there was no bread for the poor to eat, "Let them eat cake." We ask you, must history repeat itself?

The U.S. Government has thrown 3,100 people out of work in Philadelphia. Many of these people were paying for the welfare roles. I am referring to the CETA public service employment jobs.

I met a man last week who had received a certificate of merit to ease the letdown of having lost his job. These men and women drive our vans at our centers, deliver meals to the homebound elderly, and take infirm elderly to medical, social, and business affairs.

Imagine, a certificate of merit and no job. What a crushing blow to one's dignity. A crust of bread is sweet when you earn it yourself.

Drew Lewis, Secretary of Transportation, announced the end of Federal operating subsidies for mass transit. What transportation? Rural people have very little, and urban people are often victims of systems that do not operate.

I want to insert something here that actually happened today. I started out 8 o'clock to be here at 9 this morning. We were riding along pretty good on the C bus, because it brings me almost to the door, when at Broad and Columbia Avenue we all had to get out.

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[1] Retained in committee files.

No taxis in sight. I was going to bring the Spanish people with me in cabs and charge it to Action Alliance, but there was no taxicabs in sight. So we went down into the subway. Some of them were afraid but they took up the courage and went.

One little lady was left behind because she would not go down in the subway, and we in Philadelphia know why we will not go down in that subway. [Applause.]

Senator HEINZ. Lillian, may I interrupt you to say that you have just blown your cover as the "phantom rider." [Laughter.]

Ms. HOLLIDAY. Action Alliance supported the Transport Workers Union Local 234 in the recent strike against SEPTA because we knew that the union was fighting to keep fares down and services running in the neighborhoods during the midday hours.

The strike harmed us but we endured it for a greater good, to preserve our daytime service. I was one of a group of 15 Philadelphia leaders who lobbied in Washington for increased funding for SEPTA from UMTA. Now the subsidy of $4.8 million will be taken away, and elderly in neighborhoods will be the first to suffer.

The decontrol of oil has sent the prices up over 60 percent from last year. The administration plans further administrative deregulation of natural gas while at the same time proposes to end the energy assistance grants against the elderly poor. Where is the compassion in that measure? Must we be forced to choose between heat and eat?

What else is to be taken away? In housing we will lose funds for grants and loans for home repairs. We will lose funds for weatherization. Many of us will be forced to pay higher rent in 202 and section 8 housing; 50,000 additional units of housing for the elderly will be lost. This, after Nixon's moratorium and the pressures of condominium conversion makes the future look bleak. Cuts in the health field will reduce medicaid benefits, reducing nursing home beds and long-term care for the elderly.

Reciting all the bad impact on our lives makes me depressed and angry. Representative Claude Pepper said, "The budget cuts will finance a multibillion dollar tax transfer to the rich at the expense of the middle class, poor, and very poor." [Applause.]

Senator, we cannot and will not sit by and watch anybody vote against the gains we have struggled for so hard. This budget issue, whether we live with some means, protection, and dignity, or get kicked in the teeth, is the most single important issue, period.

We are forcefully going to oppose those who vote against our interest. We have lived on the road long enough to know the truth from fairy tale and we know the big lie when we hear it. We resent the propaganda which this administration is advancing that these cuts will not harm the elderly.

That is an out and out distortion and an insult to our intelligence [applause] and we resent it. Senator Heinz, when you return to Washington, please tell Mr. Reagan he has serious problems here in Philadelphia. [Applause.]

Senator Heinz, you have been our good friend, and I can attest to that. You have come when we requested. You have sat and listened to us many times. You have talked with us quietly. You have addressed our convention last year, and your offices have given us

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excellent service. Now we need you in a most special way. [Applause.]

We need you to become our outspoken champion. We need you to rise above all the rest and lead our cause, lead the cause of our working sons and daughters, lead the cause of our grandchildren.

We could have said much more about the dire effects of the budget on public education, and special education for the handicapped and disabled. I want to insert something else in here I found out, that 95,000 Hispanic children will lose the bilingual classes, and 25,000 teachers who will teach them will lose their jobs.

We could have said so much more about need for jobs and for measures to keep the younger generation from turning to crime and violence in which we are the most harmed victims. Right now, Senator, we need you in the worst way to become our outspoken leader against the madness. Please, Senator Heinz, champion our cause.

Thank you. [Applause.]

Senator HEINZ. Lillian, I am going to withold comment on that. But all I will say is, now you know why she is a president and I am not. [Applause.]

[The prepared statement of Ms. Holliday follows:]

PREPARED STATEMENT OF LILLIAN HOLLIDAY

Senator Heinz, honorable members of the Senate Special Committee on Aging, and ladies and gentlemen, I am Lillian Holliday, president of the Action Alliance of Senior Citizens of Greater Philadelphia, located at 401 North Broad Street, Philadelphia, Pa. We welcome you to our city, of which we are quite proud. We are grateful to our good friend, Senator Heinz, for responding favorably to our request that these committee hearings be moved from Washington, so that grassroots elderly would have the opportunity to speak out about their primary concerns.

The Action Alliance is a coalition of 270 senior citizen clubs and organizations in the Philadelphia area, whose purpose is to advance and promote the welfare of older people. We use direct action, mass lobbying, and negotiation to press our point of view. We are self-funding and self-governing, independent, and nonpartisan. We conduct programs of information and research, we organize in response to the crises before us, we provide victim assistance to elderly crime victims through a network of volunteers who are recruited and trained by our staff. Except for 2 brief years in which we employed VISTA outreach workers, we have not taken Government funds. We raise our own money from memberships, fees, and fundraisers. Local foundations support the special programs of our research and education program. We are proud to be full participants in the civic life of our city, State, and Nation. We are privileged in this Great Democracy to make strong statements here today in disagreement with the direction in which the Reagan administration is leading our country.

Today, we wish to inform you that we are not misled by statements of the Reagan administration that:

—Blame inflation on the social welfare and economic maintenance programs of Government.

—Assure us that the private sector will create more jobs with increased profits.

—Infer that private charities will take care of gaps in social and economic welfare programs caused by the budget cuts.

—Tell us that low-income people and working people will enjoy real benefits from reduced income taxes; and

—That assures us that the elderly will not be harmed.

We call these assertions "big lies" because they are so preposterously untrue, but yet so boldly and repeatedly asserted that people are lulled into the notion that they must contain some grain of truth. The object of the big lies is to divert the Nation's attention from the real purpose of the budget cuts, which is to enrich the rich, further depress the middle class who will now bear the burden of increased local taxes and costs of services, and to cast out the poor.

President Reagan has not talked with the private charities; he has not delivered promises of investments in jobs from his friends in the oil companies who rushed with big donations to redecorate the White House; he has not presented documentary evidence of what causes inflation; he has not prepared State and local government for the super block grant programs; and he has lied about the impact on the elderly.

We offer this formal testimony in full expectation that the Senate Special Committee on Aging will become leading advocates for restoring all the programs which the President seeks to cut and eliminate. We are not going to be pacified by halfway measures or weak promises. We will not be satisfied with any of the Reagan cuts as the following information will attest.

Let's look first at the big lie that Government spending is the cause of inflation; that the so-called expensive social programs are the cause of this economic mess we're in. The facts point otherwise. We excerpt [1] the following analysis from the March 1981 issue of "Monitor," published by the Center for Community Change in Washington, D.C.

We conclude that the inflation argument advanced by President Reagan is a cover for a hard-line conservative determination to punish the victims of social and economic injustice. This is the dark side of the far right in America asserting itself in ways that harm people.

Let's look at the big lie concerning promised jobs through supply-side economics. The theory is if we cut taxes for the rich and corporations, and permit them increased profits, these savings and profits will be reinvested in the economy in ways that produce employment.

What a bitter pill we have swallowed as we review recent economic history in this regard. We are forced to ask, where is the proof that jobs will be created?

We look at the oil companies for example to see if this pattern is true. The American oil companies earned 30 percent of all the profits earned in America last year. No wonder they're so friendly with Reagan. But have they produced jobs?

Sun Oil Co. here in our region is laying off people from work. They are shutting down their new ship construction in Chester at the Sun Ship Co., and putting 3,100 men and women out of work. Why? Because of poor management. They have a fine plant and good workers and Government contracts and a backlog of orders. But they haven't been able to manage the plant properly, so out go the jobs. And, we've just heard that they're selling their refinery in Texas, cutting back on the very business they are known for. Sun isn't creating new jobs, they're shutting down old ones; and tried to invest their profits in another company that manufactured hospital and health equipment. But that takeover attempt was blatantly illegal and they were forced to divest.

Or, we turn our attention to another large oil company. What do they do with their profits? We see that Rawleigh Warner, Jr., chairman of Mobil, paid himself the obscene sum of $1.48 million salary and bonuses last year and that his buddy William P. Tavoulareas, president of Mobil, earned $1.31 million. What did these two gentlemen do for us in Philadelphia? They put 110 paperworkers out of work in our Manayunk neighborhood, workers at Container Corp. of America's folding box division who averaged over 25 years of service. When they were closing the Manayunk plant, they were opening a new plant out in the rural area of Chester County in a new industrial park, but they were not telling anybody about that.

Everyone knows that Mobil used their excess oil profits to purchase Marcor and thereby came to own all of Montgomery Ward's and all of Container Corp. of America. When Montgomery Ward bought into the failing Two Guys stores, by way of their subsidiary called Jefferson Wards, they did not rehire the clerks who had lost their jobs at Two Guys. Jefferson Ward is nonunion.

Therefore, without factual data, or better still, without solid commitments that profits will be invested in jobs-producing enterprises, why should we be expected to swallow the loss of CETA PSE jobs and the loss of 75 percent of unemployment compensation?

As to the inference that private sector charities can increase their programs to cover the gaps that will be created by the President's budget, has anyone asked them? Has this committee or any committee of Congress requested testimony from many of the private foundations to get their reactions to the impact of the cuts and whether they will be able to fill the gaps? Has anyone asked the Fords and Rockefellers, the Pews and Haases, and the Heinzes of Pittsburgh? Our point is this: If the cuts are passed, the needs will not go away. In fact, they will worsen because crisis feeds upon itself unless measures are taken to stop it.

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[1] Retained in the committee files.

Simply put, we believe the assertion that all will be well, that we must tighten belts, and no harm will befall the poor, is just hollow verbiage in the absence of any factual data to support it.

There was a brief period of time when the tax cut aspects of the Reagan budget were being highly touted. Now they are muted somewhat because it is silly to try to sell tax cuts to senior citizens whose income is low to begin with. It is transparent now to the low- and moderate-income citizens that they will indeed pay new taxes to support reductions in Federal expenditures for local programs and they will suffer the loss of needed Government services. It has gradually become apparent that the tax cut aspect of the Reagan budget will only serve to enrich the rich.

Finally, we address you on the biggest lie of all: The propaganda that the Reagan budget will not harm the elderly. We now submit our analysis of how these cuts will absolutely harm older adults in Philadelphia, focusing on four main categories:

I. INCOME

An estimated 3.6 million senior citizens in the United States live below the poverty level. In Philadelphia, an estimated 23 percent of the elderly population, or 77,000 senior adults, live in poverty. This includes some 46,000 supplemental security income recipients who are maintained in poverty by inadequate Government grants. As of 1975, the median income for single persons 65 and older in Philadelphia was $3,000; for households headed by persons 65+, it was $4,900. The result of these insufficient incomes is simple—many senior citizens must choose between the necessities of life, making the often-cited choice between heating and eating a daily reality. And the consequences of that reality are clear: Medical authorities warn of increasing hypothermia among the elderly, and an estimated 35 percent of the elderly in Philadelphia live on diets that are nutritionally inadequate.

Many proposed cutbacks will worsen this already bleak situation. First and most symbolic, is the elimination of the $122 per month minimum social security payment now received by 3.1 million older Americans. Only a fracton of those receiving the minimum benefit are the Government retirees the President refers to. The majority of the recipients are women—often very elderly widows or unmarried women who worked part-time or in low-wage jobs. Many depend on the minimum payment for the bulk of their income. Stripping these recipients of benefits they now receive is a cruel and unprecedented step. The administration says that the truly needy can get SSI. In fact, the administration knows that most will not apply for SSI—according to its own statistics, only 25 percent of those eligible will apply. The remaining 75 percent will prefer to starve than to give up their pride and accept what they view as welfare. For a net saving of just $800 million (due to the increases in SSI and verification employees), the President proposes to strip low-income elderly of what many feel is their one remaining possession—their dignity.

At the same time, the cuts in minimum benefits are a dreaded symbol for many senior citizens. By establishing a precedent for stripping whole classes or recipients of benefits already received, it opens the door for further, more drastic cuts. It is clear from the historical comments by President Reagan, and from current comments by Mr. Stockman, that wholesale attacks to reduce the cost-of-living adjustment, to raise the retirement age, or even to make the entire system voluntary, will not be far behind.

The 14 percent cut in the food stamp program will also harm more than 1 million elderly citizens. In the Philadelphia area alone, this will reduce aid to the poor and near-poor by $22 million. The impact of this cut will fall heavily on senior citizens already suffering from poor diets. Many seniors will be cut by the reduction of the medical expenses deduction; many more will be eliminated by the gross income eligibility standard that would deny people aid no matter how low their disposable income is simply because their gross income exeeded a certain arbitrary standard. Finally, thousands of senior citizens would be cut back in the future by the proposed freeze on the standard and shelter deductions—for even though their disposable income may plummet due to inflation, their stamp allocation will not be adjusted.

A third attack on the wallets of the elderly is the proposed elimination of the low-income energy assistance program. In the city of Philadelphia, as of January 31, 1981, 50,000 people, including 16,000 senior citizens had benefited from this program, receiving $10.6 million in assistance. Energy costs for many of these people often totaled $300 to $400 a month, and that is at current prices. In the Philadelphia area, energy prices have increased 66 percent in the past two years. But in the month of January 1981 alone, the price of oil jumped almost 9 percent due to decontrol. Decontrol of oil and the eventual decontrol of natural gas prices guarantee higher and higher energy costs for all consumers. In the face of such skyrocketing costs, reduction or elimination of the energy assistance program will guarantee

increased hypothermia—and will increase other health problems as well, as seniors cut back on food and medicines to pay fuel bills.

Still other cuts will have an indirect but serious effect on senior citizens, raising the taxes and fares they must pay. The proposed elimination of mass transit operating subsidies will guarantee higher fares—according to SEPTA, as much as a 40-cent increase. The $35-million cut in Federal aid to the Philadelphia School District on top of proposed State cuts will likely force an increase in property taxes. For many elderly homeowners, the situtation is already critical. One woman in south Philadelphia with an income of $7,500 saw her taxes jump from $800 in 1980 to $1,340 in 1981 due to a reassessment. Increased taxes and fees, combined with reduced incomes and benefits will drive many senior citizens out of the homes they have lived in for 30 or 40 years.

II. HOUSING

24,000 senior citizens in Philadelphia live in substandard housing, with an estimated 6 million elderly in substandard housing nationwide. Thousands more senior citizens live in neighborhoods in Philadelphia blighted by abandoned or deteriorated houses. 5,000 senior citizens live in buildings owned by the Philadelphia Housing Authority, some of which are in serious violation of health and safety codes. Finally, 7,800 senior citizens live in subsidized housing, paying rents that increase as often as twice a year. In spite of that, waiting lists for public and subsidized housing are in some cases, 4 to 5 years long.

The elimination or reduction of many programs designed to resolve these problems will hurt many senior citizens. First, the elimination of the sectior. 312 loan program will condemn many senior citizens to remain in substandard housing or neighborhoods. As the main source of low-interest loans under the city loan and grant program, this was one of the few affordable sources of home repair financing for elderly homeowners.

The elimination of the weatherization program will prevent many senior citizens from improving their homes, thereby reducing their fuel bills and reducing energy consumption. During its existence, the program has helped 4,000 low-income households in Philadelphia to weatherize their homes. One-half of these people were senior citizens. An additional 4,000 people are currently on the program waiting list, with an estimated 39,000 houses in Philadelphia needing insulation. Elimination of the program will mean continued energy waste in the future—and in light of the end to the energy assistance program, skyrocketing utility bills for the elderly.

Cutbacks in the section 8 program are designed to increase the rent of tenants and to reduce the availability of the program. In light of ever-increasing expenses for food, medicine, and other necessities, the proposed 20 percent increase in rents will further squeeze already tight budgets. Cutbacks in program availability will compound the current shortage of units, with a local waiting list so long that applications are only rarely accepted. The result will be to reduce the number of senior citizens who can get into the program. For many, this had been their only hope—the only way they could afford to move from substandard housing to a decent and safe place to live.

Finally, the 40 percent cut in public housing modernization funds will condemn even more senior citizens to continued life in substandard housing. Funding cuts will delay repair of projects, forcing tenants to remain in often deplorable conditions. At the same time, cuts will reduce planned efforts to rehabilitate deteriorated developments like Wilson Park for conversion to housing for the elderly.

III. HEALTH

Twenty-seven percent of the elderly in Philadelphia suffer from chronic health problems with 76,000 having at least one disabling health condition that threatens their independence. The elderly are more often at-risk, with a hospitalization rate 2½ times that of younger persons. The costs of health care to the elderly are astronomical. In 1979, senior citizens paid $1.1 billion in out-of-pocket expenses for excess fees not covered by medicare. The Federal Trade Commission asserts that the cost of prescription drugs is the largest out-of-pocket expense for the elderly, and many local senior citizens pay $50 or more per month for medicines. Finally, the cost of nursing homes and long-term care have risen out of reach for many seniors. The average cost of nursing home care in Philadelphia in 1976 exceeded $11,700 a year; while 75 percent of the disabled elderly had incomes of less than $7,000.

According to a report by the Philadelphia Health Management Corp. "the impact of the budget cuts, particularly of medicaid, will be devastating to the elderly poor in Philadelphia. . . . Cuts in the medicaid budget are likely to have a serious effect on the low-income elderly who rely on the medicaid program to supplement medi-

care reimbursement. Not only will they feel the impact of cuts in mandated health and medical services . . . but they will feel acutely any cuts in optional services such as drugs, eyeglasses, hearing aids, etc." (Philadelphia Health Management Corp., "An Analysis of the Reagan Administration's Budget Revisions for Fiscal Year 1982.")

The 135,000 senior citizens in Philadelphia who are medicaid patients are already victims of second-class treatment. Many are unable to find a nursing home that will admit them, due to low payment rates. In the summer of 1980, many recipients were unable to get their prescriptions filled, as pharmacies in Philadelphia stopped filling medicaid prescriptions due to low reimbursements. With rising costs and fixed reimbursement rates, services available to medicaid patients will shrink even further. The only alternative will be increased copayments or tightened eligibility standards, which will only further victimize those least able to afford it.

Cutbacks in the medicare program will further reduce benefits that many already regard as inadequate (see report of the House Select Committee on Aging entitled, "Medicare After 15 Years: Has It Become a Broken Promise to the Elderly?") Certain dental and optometric services will be eliminated, along with home health care services for 3,100 people. Pneumococcal vaccinations that would save 5,000 lives over the next 5 years will be eliminated. Changes in payments to hospitals from the end of 1981 to the start of 1982 will make it even harder for the elderly to obtain needed hospitalization.

Elimination of the Federal cost containment efforts and health systems agencies is completely shortsighted, especially in light of the desire to control medicare/medicaid costs. The end to controls is predicted to fuel rapid increases in hospital and health care costs. In the long run, this will force increased Federal expenditures for medicare. At the same time, due to caps and administrative delays, medicare/medicaid reimbursements will fall further behind the cost of services. The result will be serious increases in excess fees, deductibles, and copayments that will consume an ever greater portion of the elderly's income.

Finally, 25 percent reductions in Federal support for community mental health services will reduce services in this area as well. Mental health centers provide important counseling and socialization group services for seniors, along with community outreach and education services. A reduction in support by 25 percent will force either imposition of prohibitive fees or serious service cuts.

IV. SOCIAL SERVICES

In 1980, 50,000 Philadelphia senior citizens benefited from social service programs provided through the Philadelphia Corp. on Aging. Thousands more benefited from legal services provided through Community Legal Services or Older Philadelphians Legal Services. Nutrition programs at senior centers, transportation for medical appointments, recreation, social work aid, homemaker and chore services, home health aides, and home-delivered means were just some of the services provided.

The proposed 25 percent reduction in title XX funding will seriously reduce these services. Over 20 percent of the budget of the Philadelphia Corp. on Aging is derived from title XX funds. Reducing those funds by 25 percent will have a drastic impact on services provided. In Pennsylvania, services to the elderly were cut by $2.3 million in fiscal year 1980. An additional 25 percent cut threatens to dismantle the entire system. Nationwide, it is estimated that 1 million senior citizens will be denied services by the cuts.

The importance of title XX services cannot be overestimated. For many senior citizens, the availability of a center, and the services and companionship it provides is a lifegiving aid. Remove it, and many would find no way to replace the physical and emotional support it provides. For many elderly persons, senior centers are not luxuries, but the only way they can survive on poverty level incomes.

At the same time, title XX funds provide for many support services like homemaker and health aides, that enable the elderly to stay in their homes. Cutting back these services will reduce many people's ability to remain independent, and force them into unwanted and expensive institutions. Estimates by the House Select Committee on Aging indicate 87,000 elderly and disabled will lose needed homemaker and chore services. The net result will be increased human suffering, and greater State and Federal spending for medicare and medicaid reimbursements.

The proposed elimination of the legal services program will drastically reduce the availability of legal assistance for the elderly. The attached report [1] documents 18 cases in which Community Legal Services provided desperately needed aid to senior citizens who were unable to help themselves. And these are just a sample of

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[1] Retained in committee files.

literally thousands of similar cases. The elderly woman with no heat, the man whose house is sold at sheriff sale, the couple whose food stamps are wrongfully cut off—where will they turn for help if legal representation is denied them? "Equal protection under the law" and "justice for all" will have little meaning for the poor and elderly citizens who are unable to afford attorneys to represent them.

V. SUMMARY

Far from exempting the elderly as the President promises, the proposed cuts will have a devastating impact on the standard of living for most elderly persons. The reduction in benefit and entitlement programs will be aggravated by the reduction or elimination of many supplementary social service programs. Compounding both will be the resulting increases in taxes, fares, fees, and prices that will further deplete already meager incomes. The proposed tax cut will offer no help. Elderly persons with an income of $5,000 solely from social security will receive *no* benefit from the proposed tax cut.

The real truth is that the result will be a disastrous attack on the welfare and well-being of millions of senior citizens throughout the United States. No number of "big lies" can hide or disguise this fact. Senior citizens are coming to understand this, and are coming as well to demand answers from their elected officials. The 250,000 senior citizens in Philadelphia urge the Special Committee on Aging to oppose these cuts—and to work vigorously as advocates for the programs we depend on. You are the experts in the Senate on the aging field—and you now know the havoc the cuts will wreak upon the elderly. We urge you to work for and vote for the full restoration of the proposed cuts in social programs for people of all ages. Or have we come to turn our back on the virtue of compassion—a trait that helped to make our Nation great.

Thank you.

Senator HEINZ. I would like to ask John Thomas to be our next witness.

STATEMENT OF JOHN THOMAS, PHILADELPHIA, PA., CHAIRMAN, BOARD OF DIRECTORS, NATIONAL RETIRED TEACHERS ASSOCIATION, WASHINGTON, D.C.

Mr. THOMAS. Thank you, Senator Heinz.

I am here today, and I am pleased to be here representing a combination of the largest groups of elderly Americans that we have, the National Retired Teachers Association and the American Association of Retired Persons, representing just about 12 million voting elderly American citizens.

We thought it might be, and I am sure Senator Heinz felt that it might be worthwhile to have an input from that group.

Dr. Shapiro's presentation preempted some of the things that I would have said with respect to the problem in Philadelphia, so that I am not going to repeat any of that at all. I am simply going to give the presentation as I originally intended to do, concerning the reaction of the two large organizations to the proposed cuts of the administration.

Time is short, so I am only going to comment on a few of those things.

The associations oppose tbe administration's proposed cap on Federal medicaid expenditures because we believe that strong Federal support of the program is an essential component of the social safety net for the poor, especially the most vulnerable of this group, the elderly poor.

Expenditures for nursing home care constitute the single largest health care liability for persons over the age of 65 and are the major source of catastrophic health expenses for this group, of which over 20 percent will, at some time in their lives, need to

enter a nursing home. In 1979, medicaid represented a full 49 percent of all spending for nursing home care.

The associations believe that the capping of the medicaid program, without effective, across-the-board measures to restrain the uncontrolled escalation of health care costs, represents an abrogation of responsibility on the part of the Federal Government as the primary purchaser of health care.

Reduced medicaid funding combined with no measures for cost control would leave the State of Pennsylvania with few options for making ends meet. Tighter, more restrictive eligibility requirements would have a severe adverse impact on our State's elderly.

Also, optional services presently provided under the medicaid program could be reduced or eliminated. In Pennsylvania, optional services include such things as dental services, outpatient prescription drugs, dentures, and clinic services.

It is difficult to believe that coverage for antihypertensive drugs needed for poor elderly individuals who suffer from high blood pressure can be considered to be optional in the first place.

This type of coverage is especially cost effective because it tends to avoid much more costly hospitalization and, in fact, serves to prevent more serious heart attacks and strokes.

Medicaid and medicare are and should remain complementary components of any social safety net the Congress and administration construct beneath needy older Americans.

Much has been said about the consolidation of categorical grant programs. Our associations have serious misgivings about the administration's proposal to consolidate a myriad of categorical grant programs into a series of block grants.

While the block grant approach could lead to reduced overhead and allow State and local officials to target funding to the most urgent needs of localities, we must not forget that many of these categorical grant programs were established in the first place because certain deserving and needy segments of our population were not being served when it was the States' responsibility to do it.

Beyond our criticism of the philosophical underpinnings of this proposal, we are particularly concerned about the impact of reduced Federal funding on several grant programs of importance to the elderly, two of which I will highlight.

Before I say that, however, let me say this, and it has to do somewhat with the presentation of Dr. Shapiro: When the question was asked whether we of the poor and needy have some reservations about the actions of our political friends in the house at Harrisburg, or the city of Philadelphia—and I might have to say that most of us, as we move around and talk with this group, know that we do have those reservations—we are not sure that the allocations would be made in the proper perspective because of the political factors involved. It seems likely that no matter what efforts are made, the amount of money we receive will be reduced, and we, at the bottom, are not likely to get the kind of share that we should get.

We are concerned about that. [Applause.]

The associations also have serious concerns that if the low-income energy assistance program is folded into an omnibus—that is, an all-inclusive social service block grant to the States and then

funded at substantially reduced levels, the purpose of this program will be lost in the shuffle.

Currently the program is funded through the windfall profits tax, which in essence, redistributes the taxes levied on the high profits oil companies are experiencing due to the oil price decontrols to low-income households which can ill afford the skyrocketing costs of home energy.

But the point is that Pennsylvania does not receive revenue from this tax, and therefore we are concerned that the State may be reluctant to pick up her share of the cost of this assistance.

We would suggest—and when I say "we" I mean the two organizations—that it would make more sense for the various energy assistance programs to be consolidated at the Federal level rather than continuing the current fragmented approach of placing some at the State level—through the massive block grant—and keeping other initiatives in various agencies in Washington.

Such a coordination of programs would make current benefits more accessible, eliminate duplication or overlap, and fill in the gaps to meet the needs where current programs do not.

Furthermore, streamlining programs would reduce administrative costs, and within budgetary restraints, make it possible to reach more needy persons.

Now, the title XX social services. Title XX social services is also targeted for consolidation into this block grant proposal. The title XX program already provides the States a highly flexible funding source which enables many elderly individuals to achieve or maintain living and economic self-support.

Substantial assistance is provided through the "core services" of this program for what we call homemaker/chore, other in-home services that serve to prevent premature and oftentimes unnecessary institutionalization.

A House subcommittee has projected that the administration's proposal would decrease Pennsylvania's Federal title XX funding by about $39 million which is projected to result in almost 7,000 elderly or disabled Pennsylvanians losing their homemaker/chore service that they are now enjoying.

This estimated reduction in Federal financial support is likely to force many elderly beneficiaries into higher cost institutional settings or completely out of what they now have.

In summary, until Government indicates it will pursue an effective, multipronged, anti-inflation program that includes not just fiscal and monetary restraint but also a tough "incomes" policy that will bring down inflation rapidly and spread the "pain" of curing inflation in an equitable manner, organizations that know what the real economic situation of the elderly is— organizations such as were represented by the previous speaker—and that represent their interests, will not be willing to accept proposals that would chip away at the minimal cost-of-living protection [applause] while otherwise leaving double-digit inflation largely unchecked.

The proposed cuts in health and human service programs we have described will only serve to further exacerbate the increasingly serious problems the elderly face in coping with inflation and receiving quality health care and other essential human services.

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And the 12 million voting elderly in NRTA/AARP members can be expected to vote in the way that will be in the best interests of all of the elderly in our country. Thank you. [Applause.]

Senator HEINZ. John, thank you very much for an excellent statement.

Jack Zucker.

STATEMENT OF JACK S. ZUCKER, CONVENER, GRAY PANTHERS OF PHILADELPHIA, PA., ACCOMPANIED BY ROSALIE RIECHMAN

Mr. ZUCKER. Thank you, Senator Heinz.

I would like to indicate that my associate in presenting this testimony is Rosalie Riechman, who sits right in back of me, and both of us represent the Gray Panthers position, "Age and Youth in Action."

I further want to state that we are very proud to participate in this panel which includes men and women, black and white, old and young, all working, all fighting for the commonweal.

Now, let me go to my testimony.

Senator, we come before this committee not as supplicants asking for special benefits or favors for the elderly. We are here to reaffirm our rights as Americans, rights that are not only reserved for the rich and powerful, but which are the property of all Americans. [Applause.]

Americans, not only the aged, are looking for positive rights. All Americans are entitled to a good life, economic security, good health, decent housing, transportation, and education in a peaceful world.

The budget projected by this administration, and seemingly supported by many in this Congress, fails to meet these needs of the American people. It is a budget to increase the power and the wealth of the greedy at the expense of the needy. [Applause.]

We came here to oppose the cuts in programs affecting the elderly. However, as the elders of the tribe, we seek no special favors at the expense of other social groups. We are here to defend the rights of all Americans, the young, the middle-aged, and the old.

We believe that any effort by the administration and Congress to weaken the integrity of the social security system at the expense of the recipients is contrary to sound public policy and must be rejected. [Applause.]

We ask for a positive program to extend and liberalize the social security program.

We ask that the minimum benefits to the elderly on social security and supplemental social security income be raised significantly, not cut, as has been done. [Applause.]

We believe that there should be a semiannual rather than annual cost-of-living increase in social security and SSI allotments. [Applause.]

We are strongly opposed to a separate cost-of-living index for the elderly. The argument that inflation is less oppressive for the elderly simply is not true. In fact, the elderly have many expenses, especially medical care, that are in excess of expenses for other population groups.

We need an affirmative policy to eliminate discrimination against women, particularly the homemakers, in the payment of social security allotments. [Applause.]

We believe that the wages of older workers should be exempted when calculating social security payments. This is only fair in view of the exemption of those who are fortunate enough to have unearned income.

We call for an affirmative program involving government, private industry, organized labor, religious, and social organizations to abolish mandatory retirement as a social policy.

Finally, we do not believe there is a crisis in the social security system. [Applause.]

From its inception, commissions appointed by the President to review the social security system recommended that funds be allocated to the social security system from the general funds. Another option would be to finance medicare from the general fund.

We oppose cuts in the food stamp program, medicaid, housing, CETA, the Legal Services Corporation, the Consumer Cooperative Bank, and other social programs.

Older Americans, like others in our country, suffer from inequitable taxes. We urge a general overhauling of our tax system, the elimination of most of the repressive taxation, like sales taxes, gasoline taxes, et cetera, which places the burden of taxation on the poor, low- and middle-income groups.

We ask for a graduated income tax on a State and National level, the closing of loopholes which permit the wealthy and the large corporate sector to escape the full share of payments. [Applause.]

Senator Heinz, we have some of the best health practitioners and the most modern hospital equipment in the world. Nevertheless, our health service delivery system is one of the most inadequate in the Western World.

We pay an average of $1,000 per year per person for health service delivery, as compared with about $600 per person per year in Canada. Nevertheless, millions of Americans are deprived of health services. We have a proliferation of health services in some areas and almost no service in poor and rural areas.

Using the language that is now popular in Washington, the health service system is inefficient is not cost effective. We would support a cap on the exorbitant prices and fees that the providers exhort from medicare, medicaid, and the patients.

This is where the administration has to look for cost effectiveness and savings. To cap is another word for cutting the services from the sick, the needy, the elderly. It is a cruel dehumanizing act, which is unworthy of our Nation. [Applause.]

Medical and health service delivery costs doubled in the last several years. For every dollar increase in the cost of other services, medical health and delivery services costs doubled. This can be traced to the greed of the providers abetted in many cases by the administrators of the medicare and medicaid system.

Congress must reject the specious arguments of the AMA, the large insurance companies, the hospital associations, and the large drug and health equipment manufacturers and pass meaningful

health service legislation, using Canadian and Western European systems as models. [Applause.]

There is not sufficient space in this testimony to adequately address housing and heat cost problems, and the difficulties older people face in receiving adequate transportation. Let us just note that the rash of speculation in condominium conversions is adversely affecting older Americans in the middle- and upper-income groups too. So they are beginning to react on some of these questions.

Let us deal with the halo that surrounds block grants. Poverty is a national problem that must be handled responsibly by the National Government. We need a uniform, humanistic policy to serve the sick, the poor, the needy, the elderly.

The perspective of having 50 different State policies to handle this national economic and social maladjustment is one of moral as well as economic and social bankruptcy. Our Nation rightfully expects those who hold power in our National Government will not turn the clock back to the 1920's and 1930's and sentence millions of Americans to starvation, degradation, and slow death. [Applause.]

Block grants do not save money. The States and communities will have to find the funds to meet the crisis such a policy creates. It did not work in the 1920's and 1930's, and it will not work today. [Applause.]

Furthermore, block grants set the basis for uneven services to the poor, the old, and the needy from State to State, and empowers political machines and encourages greater corruption.

The efforts to literally destroy the food stamp program as a budget cutting device is another example of heartlessness to the low and lower middle-income Americans. We are sure that there are some corrupt and inefficient practices in the system; but how can these be compared with the corruption and inefficiencies in the Pentagon which costs taxpayers billions of dollars annually. [Applause.]

Furthermore, we are giving away trillions of dollars—that is thousands of billions—to the oil, chemical, and other conglomerates. [Applause.]

Senator, we challenge the assumption of the administration that Government spending and taxation are the causes of inflation and unemployment. Let's check some of these assumptions.

First, the argument that Government spending is too high. Federal, State, and local government spending is equal to about 34 percent of the gross national product. However, in France it is 40 percent. In Germany it is 42 percent. In Britain it is 44 percent and in the Netherlands it is 51 percent.

And in all these countries unemployment is much lower percentagewise and the inflation is much lower percentagewise. The fallacy of this argument is further attested to by Government economists that say balancing the budget would decrease inflation by less than two-tenths of 1 percent.

Another argument, Federal deficits are causing inflation. Federal debt as a percentage of the gross national product fell from 103.5 percent in 1946 to 27.1 percent in 1979. As a matter of fact, the United States has the lowest deficit ratio of any industrial nation,

1 percent for the United States, as compared with 3 percent for West Germany, and 6 percent for Japan.

The Congressional Budget Office's latest estimate states that for every $10 billion cut in Federal spending, inflation would be reduced by one-tenth of 1 percent.

The argument that individual taxes are too high. In rate of individual taxation the United States ranks 12th as compared with other industrial nations. In this country it is 29 percent, France 39 percent, West Germany and Britain 37 percent, and in the Netherlands 46 percent. And none of these countries, outside of Great Britain, is going bankrupt.

Corporate taxes are too high. In the 1950's, during the period of the Eisenhower years, corporate taxes made up 20 percent of all Federal taxes. Today, they provide less than 12 percent. In Japan, corporations contribute 43.5 percent of all taxes, in the United States 39.25 percent.

Now, let us cite some specific contributions that Government spending has made to society. The social programs of the fifties and sixties helped to reduce the proportion of the people below the poverty line from 22.4 to 11.6 percent in 1979.

That means that more than 10 million Americans are living better today because of the social programs developed in the fifties and sixties.

During the 1980 fiscal year alone, 500,000 Americans coming from this Nation's most disadvantaged areas turned their CETA training into unsubsidized jobs in private industry and government.

Publicly subsidized day care centers have made possible for single mothers or families which required two jobs to keep the family together, to make the transition from welfare to productive jobs.

This is the road to taking people off of welfare. [Applause.]

The facts, in my opinion, Mr. Chairman, demonstrate the necessity for the extension of these programs, not their curtailment or elimination.

Senator, our generation—I should really be saying my generation—has coped with two world wars and the Great Depression of the 1930's. Through these national and international crises we learned to work together for the common good. We helped to build this country and to defend it. We are concerned about the health and security of our people.

We are not secure in the knowledge that our country has sufficient nuclear power to destroy every Russian 100 times over, while they only have the capability to kill every American 50 times over. [Applause.]

It is sheer madness to assume that our security will be enhanced if we develop a ratio and an ability to kill every Russian 200 times over, while the Russians can only destroy every American 100 times over. [Applause.]

The security of our Nation depends upon the health and vitality of our people. We are a proud people, we are entitled to the promise made by our Founding Fathers when our country was born.

We are entitled, as a matter of right, to life, liberty, and pursuit of happiness. Freedom is not just freedom from restraint—it is a freedom to achieve our ends as a people.

In a democracy such as ours, Senator, the people sometimes face an adversarial position with those in power. We do not relish such a relationship. We, therefore, ask that you and your committee recommend that this administration reverse the direction of its present policies, policies which, in our opinion, will create greater suffering, greater poverty for older Americans, indeed for millions of others.

Senator, this concludes my remarks, and I want to say I did not conclude it with your famous joke about the politician that went to heaven that you told us at the White House Conference.

Thank you very much. [Applause.]

Senator HEINZ. I thank Mr. Thomas and Lillian Holliday very much. Notwithstanding the excellent presentations that all three of you made, I hope you all noticed the little, funny looking machine in front of you with green, yellow, and red lights. It got all the way to the red for quite some time and you were all told, as you know, to keep your remarks to 10 minutes.

That little gadget there measures 10 minutes. The reason I point that out is not to put you down, but to indicate there is only so much time for a hearing. There are people out there who want to be heard if we have time and we have other witnesses who want to be heard and who want to be questioned.

I hope everybody realizes that to the extent that we overstay our welcome on time, we are penalizing somebody else. I just want that to be clear, so that there is no misunderstanding on that, because I really think it is very unfair to other witnesses and other people, particularly when people have been told what the time limitations are to do that.

Nonetheless, I think your testimony has all been very valuable. I want to ask a question of Jack Zucker in particular. First of all, I want to congratulate you on your new role as Economic Adviser to the United States.

I thought you had some very interesting and perceptive comments about economies of other countries. But there is something that I think has to be recognized and I would like your comment on it.

You made a lot of comparisons between the United States and West Germany, France, the Netherlands. Do you know what method of raising money those countries use predominantly?

Mr. ZUCKER. No, I do not, but I understand they——

Senator HEINZ. I made a special study of that because I have been very curious about something. How can countries that are spending a good deal more on services than we are, proportionately, how can they be, relatively speaking, economically so healthy.

And the answer is they have a much higher savings rate than the United States. They have a much higher savings rate. People put more money aside. Our savings rate is 4 percent. In West Germany and countries like that, it is as high as 16 percent, four times as much.

One of the reasons why, when we have a national debt, it hurts more than when they have a national debt, is because there is just not as much savings to finance it. That is one of the reasons.

That is the good news. The bad news is that they finance all their programs with what is called a value added tax. That is a multiple sales tax at each level of production. I think you can, by taxing consumption, as they do, tax consumption and increase savings.

You tax something, you get less of it. If you tax something else less, you get more of it. My question to you is, do you favor the kind of national sales tax which they have on everything, that is value added tax, as an alternative to the tax system we have here, because that is what they do?

Mr. ZUCKER. As I recollect, Senator, I indicated too, that the corporations in their area pay a greater share of taxation.

Senator HEINZ. But they pay it through the value added tax, not on their profits. It is levied on their sales, their value added.

Mr. ZUCKER. I personally would not support a tax which is basically a sales tax which takes funds out of the pockets of the low- and middle-income groups.

Senator HEINZ. I didn't think you would. I don't think most people do. But I think it is important, therefore, in order to recognize the differences, those societies have made very different choices than we have. We have chosen to tax work. We have chosen to tax savings. We have chosen to tax people who make a profit.

We have not chosen for the most part, except at the State level, to tax consumption. And that is where they are different. It is up to all of us over the long term to decide.

Mr. ZUCKER. I am in no position to discuss that with you since I don't know.

Senator HEINZ. I understand. Both you and Mr. Thomas made an interesting comment on medicaid that I would like to come back to. Both of you suggested in one way or another that—you, Mr. Zucker, suggested that we cap fees to providers.

I think, John, you suggested that we needed measures for cost control, which I imagine would include capping fees. A number of people have come down to our hearings in Washington over the last 2 weeks, not representing the American Medical Association and those people, but representing community health services, like Dr. Shapiro did here today, and said that capping fees or reducing provider fees would be very, very bad for medicaid recipients because even more providers—for example, physicians for outpatient care—would drop out of medicaid programs.

And right now there is only about an effective 30- or 40-percent participation rate if you look at who does most of the work under medicaid.

If we cut fees under medicaid, as, undoubtedly, a lot of States will be inclined to do if the medicaid cap goes through as proposed—that would be one of the first things they would do—wouldn't that be against the best interests of the elderly if the consequence of that is simply to limit the number of physicians that people will be able to go to because physicians will not accept medicaid patients?

John, would you care to respond to that?

Mr. THOMAS. I think already many of the physicians, and I know quite a few of them, do not accept medicaid patients for this very reason. They feel that at the present time there is a kind of cap in place because medicaid reimbursement rates are set so low—usually even below medicare reimbursement rates.

Now, if an actual cap on physicians' fees is instituted, we are going to lose a number of the physicians who are currently accepting medicaid patients.

I think that will work a tremendous hardship on all of our low-income people who depend on the medicaid program for their health care coverage. They likely will have increased difficulty gaining access to the services that they justly should have because fewer physicians will be accepting medicaid patients.

Additionally, I would like to briefly clarify what we mean when advocating "cost containment." We are urging across-the-board cost containment measures in the health care sector—not treating symptoms of the problem which the proposal to cap the Federal funding of medicaid represents.

For instance, the current third-party cost-plus reimbursement system which fuels the health care cost inflation spiral must be restructured. We have long recommended alternatives such as prepaid health plans, prospective reimbursement, capitation, and negotiated fee schedules.

State mandatory review programs for hospitals are needed; the certificate-of-need and capital expenditure review processes should be actively enforced to more effectively allocate scarce health resources and to insure against such things as excess bed capacity which inexorably results in higher charges to private pay patients and public programs such as medicare in order to subsidize these empty beds.

Also, in conjunction with these kinds of cost-containment measures, incentives should be provided to physicians to encourage their participation in the medicaid program as well as accepting assignment under medicare. Simplified claims forms and a faster turnaround time between claim submission and reimbursement are examples of this type of incentive.

Senator HEINZ. Mr. Zucker, do you have additional comment?

Mr. ZUCKER. Thank you, yes, I do, Senator.

I think I indicated in my testimony that I don't consider medicaid and medicare necessarily the best of all possible worlds. I think a comprehensive health service legislation patterned on what we do have in other Western countries like Canada and Europe, which may include a substantial amount of work on preventive medicine, which includes having community organizations like HMO's operating many of the services.

So, the community, the providers, as well as the patients participating in policymaking, would tend to cut costs and would tend to put a curb on prices. I do not believe that the medical profession in this country is going to go on strike against the health of the American people.

I think what we need is to give them a sensible program with which to operate and to work.

Senator HEINZ. In fact, a very high proportion of them have and more will, not because we want them to but because that is what they do. What are you going to do about it?

Mr. ZUCKER. I don't know, Senator. I do not believe that the American doctors necessarily are worse human beings than the Canadians or the British.

Senator HEINZ. He is not.

Mr. ZUCKER. I think if the system is laid out which makes possible for them to get sufficient pay for—getting what the market will carry, a sufficient amount of money for their services, I think it can work out. If it has worked in other countries I believe it can work here.

Senator HEINZ. That may be. That envisages a system we don't yet have. I will tell you what my problem is. This is a hearing on the 1982 budget. We have to make decisions in the next few weeks on this budget.

We are not going to pass a Canadian health insurance system, a West German health system. We are not going to do that in the next few weeks, as you well know. My problem is what are we going to do in the next few weeks. You understand that, I know.

I appreciate your vision of the future. It is a good vision, but there are a lot of people in this room who have to survive this year, and next year, and the year after, and that is what I care about. [Applause.]

Miss Holliday, I see you have retreated behind three senior citizens that I know have something to say, but I want to bring to your attention that last week during consideration of the budget, Senator John Chafee of Rhode Island and I, together, fashioned an amendment to put over $1 billion back in the budget, and even with that $1 billion back in the budget, we would have still been substantially under President Reagan's proposed budget because the Senate did not choose to fund what is called the strategic petroleum reserve, which is about $3 billion worth of expenditures largely paid to the major oil companies, which I didn't have a lot of sympathy for, frankly. I think we pay them enough already, don't you? [Applause.]

That would have restored almost all the money in the low-income energy assistance program, $350 million of the $400 million proposed to be cut there. It would have restored all the operating subsidies proposed to be cut from mass transit this year and next year.

It would have restored some of the money—unfortunately, not all, but some of the money for the weatherization program, which is quite important to many people. It would have put, for fiscal 1982 alone, close to $500 million for education, including special education and vocational education.

I thought we had a real chance of winning with that amendment, and it was one of the closest votes, but we still lost. We lost by about 10 or 15 votes. But I wanted to bring to your attention that even before you urged me in your statement today to be working very hard, I like to think that I have been anticipating your every whim and I appreciate it. Thank you. [Applause.]

Mr. ZUCKER. Senator, I believe you have a heart.

Senator HEINZ. I have a problem. My problem is, I know we have three senior citizens with some testimony. I know it is not terribly long testimony, but I have also got some other people with problems. I have some other witnesses. I would like to know if it would be possible for the three of you to stay up here on the stage.

We have some additional chairs up here on the stage—and let our next witnesses proceed so you don't have to go up and down the stairs. Just get some chairs, put them in the back and you can stay up here. Would that be amenable to you?

Ms. HOLLIDAY. That is fine. I still want a Spanish-speaking person.

Senator HEINZ. We will do that. I am assuming we don't run out of time.

I want to thank Mr. Thomas. I want to thank Jack Zucker. I want to thank Lillian Holliday. I hope you will, too. [Applause.]

Our next panel consists of Dr. Richard Adelman of Temple University, and David Jones, director of homemaker services of metropolitan area, Philadelphia, Pa.

Gentlemen, we thank you very much for your understanding and we welcome you to the Committee on Aging.

I would like to ask Dr. Adelman to be our leadoff.

STATEMENT OF DR. RICHARD C. ADELMAN, PHILADELPHIA, PA., EXECUTIVE DIRECTOR, INSTITUTE ON AGING, TEMPLE UNIVERSITY, AND PRESIDENT, SOUTHEASTERN REGIONAL PRACTITIONERS IN AGING

Dr. ADELMAN. Senator Heinz, staff of the Senate committee, and ladies and gentlemen, my name is Dr. Richard Adelman. I am here today in my capacity as executive director of the Temple University Institute on Aging, as well as the elected president of SERPIA, a practitioners organization representing professionals in aging throughout the five counties of the Greater Philadelphia area.

The Institute on Aging at Temple University is particularly relevant to the purpose of this hearing because of our recent successes in demonstrating a model system of integrated social and health service delivery to predominantly low income, minority elderly people; because of the unprecedented missions to the program on aging by our own university administration; and because of our own track record in the arena of long-term care for the elderly, which includes designation as national technical assistance contractors to the AoA channeling program for long-term care demonstrations program.

It is very tempting for me to address the impact of proposed budget cuts on higher education or on practitioners who serve the elderly. It also is very tempting to chastise the Federal administration which stands behind the contradictory and misleading remarks of Mr. Stockman concerning cost containment of health care. It is equally tempting to insist emotionally that all, or even most, services to the elderly simply should not be cut. However, the current time of crisis necessitates a far more responsible statement.

I sincerely believe that the elderly will be best served by articulating the issues of highest priority. In this way, the Committee on Aging may be provided a more rational basis on which to formu-

late its own strategy. The committee has heard, and will be hearing more, from our distinguished colleagues who are testifying today with respect to the specific impact of the Federal administration's proposed budget on the elderly in this region. I share the perception that inflation and uncontrolled Federal spending represents a mortal hazard to our underlying social compacts and our economic well-being. However, the ways in which we seek to contain these costs must responsibly be viewed in the context of legitimate respect for and needs of our elderly citizens.

I respectfully suggest for your consideration three general recommendations, each of which includes specific programmatic possibilities as well as a certain amount of flexibility for practical political negotiations. First, and foremost, the most vulnerable portion of the elderly population must be protected. More specifically, the impoverished and functionally impaired who are appropriately institutionalized or homebound must not be asked to endure a cap on medicaid reimbursement. Why not distribute the fiscal burden through medicare? Why not link the reimbursement scheme to the commitment of the health care enterprise to primary care for the elderly?

Although it is not so straightforward a relationship, it is more than disturbing that an expenditure of nearly $200 billion in medicare reimbursement to physicians since inception of the program generated only a few hundred physicians who claim to be primarily concerned with delivery of medical care for the elderly.

My second general recommendation addresses the need to enhance the dignity and financial independence of the general population of elderly people. More specifically, consider at least each of the following three items. Item 1, push back or even abolish mandatory retirement. Private enterprise can provide fiscal incentives for early retirement if they so desire. However, those who are willing and able to work should be judged on the basis of relevant functional capability and not discriminated against with respect to the mere passage of time.

Item 2, the supplemental income restrictions currently tied to social security benefits should be eased. Perhaps link such easement to more restricted minimal payments, but why discourage proven productive members of the work force? Parenthetically, I gladly acknowledge the similarity of these two suggestions to the bill already proposed by Senator Chiles of this committee.

Item 3, devise a community-based system for linkage between manpower needs of community service programs as well as industrial and educational activities and the existing or trainable capabilities of older people who want to work. Elderly employees could be targeted for a percentage of openings made available by natural attrition. Tax incentives and budgetary allowances for private and public programs, respectively, could be tied to extent of affirmative action applied to the hiring of elderly workers.

My third, and final, general recommendation addresses the need to encourage even further involvement by the informal support network. More specifically, consider providing tax incentives to groups, organizations, and individuals who donate their time to care for the elderly in specific ways. Possibly resurrect the concept

of the National Youth Service as an alternative to military service and designate a specific portion of it to care for the elderly.

In summary, and by recasting my recommendations in a slightly different light, these thoughts are remarkably consistent with the spirit and substance of many of the policy statements of the current Federal administration. By all means, contain the cost of health care. However, the restrictive reimbursement schemes can be tied at least to the need to redistribute the priorities of the health care system so that they respond to concerns of the elderly.

By all means, dispose of nonproductive Federal regulations. However, include among the castaways those restrictions which inhibit or prevent the functional and productive older worker from generating the income which is so vital to the maintenance at least of good health.

By all means, provide incentives to take the greatest possible advantage of our own national resources in our free enterprise system. However, emphasize the utility of, and the respect for, that one resource in particular which for too long has been needlessly and irresponsibly ignored and which now faces yet another uncalled for challenge to the quality of life, our elderly.

A far more extensive written version of my testimony was prepared by James Young, our institute director of social policy and law. It is already in the hands of the committee staff and also is available to the public.

I thank you very much for providing this opportunity to express these thoughts. [Applause.]

Senator HEINZ. Dr. Adelman, without objection your entire statement which, not just the committee staff but I, too, got, will be made a part of the record. I have had a chance, also, to read it and those who haven't, I commend it to you. It is very well thought out.

Thank you, Dr. Adelman.

[The prepared statement of Dr. Adelman follows:]

PREPARED STATEMENT OF DR. RICHARD C. ADELMAN

Senator Heinz, distinguished members of the Senate Special Committee on Aging, fellow panelists, ladies and gentlemen, it is a privilege to have this opportunity to join this panel in addressing the committee on the impact of the proposed administration budget on the health and long-term-care needs of the elderly within southeastern Pennsylvania specifically and the Nation as a whole.

I have been privileged to be a part of and close to the development of the aging enterprise over the past 15 years. Although I am a professor of biochemistry within the School of Medicine at Temple University, my professional interests and passions have been increasingly oriented to public policy issues over the last few years, both as chair of the public policy section of the American Gerontological Society and, since January 1978, as executive director of the Institute on Aging. Let me say from the outset that the Institute on Aging has been blessed with generous organizational and financial support by our university. Our mandate is to bring all available university resources to bear on priority needs of the elderly within the community, particularly with respect to health and long-term care. It may be of particular interest to the committee that we are currently engaged in the testing of multidisciplinary approaches to comprehensive health and social services assessment and service delivery to the chronically impaired in a variety of community settings and are working with the Administration on Aging and the Health Care Financing Administration as the national technical assistance contractor for the channeling demonstration initiative.

It is tempting to focus my comments on issues of primary interest to universities, particularly with respect to our research and training responsibilities. Similarly, as president of the Southeastern Pennsylvania Regional Practitioners in Aging, it is tempting to focus my comments on issues primarily affecting the practice community. However, given the strength of the testimony of other practitioners and gravity

and urgency of the public policy issues surrounding the health and well-being of the elderly, I am compelled to address a broader set of issues. Similarly, I will seek to avoid broad indictments of the administration's proposed budget on moral grounds. We have real and immediate problems on our hands which require clearheaded thinking and hardheaded solutions.

Those of us who have followed the distinguished work of the Special Committee on Aging over the last few years are sensitive to the leading role this committee has played in advocating and formulating policies for the development and implementation of strategies designed to lead to an improved long-term care system for the elderly. Indeed, long-term care represents one of our great national unfinished agendas. As the committee well knows, there is a large and rapidly growing population of chronically impaired older Americans in need of support in their activities of daily living.

I reject the hypothesis of failure implicit in acknowledging the inadequacy of present long-term care and health services. It is not accident that life expectancy has been extended. It is no accident that infant mortality has been reduced. In this light, many of the problems which we now face reflect our successes, and it is worthy of note that these successes can be attributed to significant Federal intervention. Indeed, the Public Health Service has reported that 1980 represents the first year in history in which the leading cause of death in the United States shifted from acute to chronic illness.

The committee has heard and will be hearing from our distinguished colleagues who are testifying today with respect to the specific impacts of the administration's proposed budget on the elderly in this region. Although I share the perception that inflation and uncontrolled Federal spending represents a hazard to our underlying social compact and our economic well-being, I would suggest that the ways in which we seek to contain costs must responsibly be viewed in the light of three overarching priorities. These include:

(1) Preserving the maximum quality-of-life for those elderly persons in greatest need, i.e., the chronically impaired.

(2) Maximizing the dignity, financial independence, well-being, and opportunities for productive lives for all of our elderly; and

(3) Responsibly addressing appropriate Federal roles in long-term care, including the mobilization and support of families, friends, neighbors, and others within the informal networks.

I am certain that for each of us in this room, the issues before us do not relate solely to cost. What we are really looking for are programs that work and solutions that last, as well as the containment of cost.

With respect to the chronically impaired, I want to go on record as identifying with the administration's stated agenda of creating a social safety net for such populations with special needs. Unfortunately, the administration's proposed budget does not fully accomplish this objective. The excellent research of the Philadelphia Corporation on Aging and the Philadelphia Health Management Corp. identifies significant areas of shortfall in erecting this social safety net, and its adverse impact on this region. It is understandable that in the limited time available to the administration in putting together its budget projections that the social safety net sometimes appears to be made of cheesecloth. There is no single feature of the proposed budget as it affects the vulnerable elderly that is more devastating than the proposal to reduce Federal expenditures for medicaid to $100 million below current 1981 estimates and the proposed imposition of an "interim cap" which would allow an increase in Federal funds of only 5 percent in 1981. This proposal is precipitous and far-reaching. The improverished and functionally impaired who are appropriately institutionalized or homebound must not be asked to endure a cap on medicaid reimbursement. Why not distribute the fiscal burden through medicare? Why not link the reimbursement scheme to the commitment of the health care enterprise to primary care for the elderly? Although it is not so straightforward a relationship, it is more than disturbing that an expenditure of nearly $200 billion in medicare and medicaid reimbursement to physicians since the inception of these programs has generated only 200 to 500 physicians who claim to be primarily concerned with delivery of medical care to the elderly.

I would refer the committee to the excellent and comprehensive analysis of this issue contained in the testimony of David Crowley of the American Association of Homes for the Aging to the Senate Committee on Finance on March 31 of this year. In addition to suggesting a number of specific approaches to saving costs, this testimony underscores the catastrophic circumstances of the elderly poor who would be grievously damaged by this proposal. Mr. Crowley's testimony also contains sober warnings of the dangers inherent in restructuring medicaid in the haste of budgetary debate, without full understanding of implementation strategies. For example,

the House Select Committee on Aging report issued earlier this week indicates that unless States pick up a bigger share of the cost (which is not likely), about 5 million elderly Americans would lose benefits they now receive through the medicaid program. As the committee knows, in many States the majority of such recipients are over the age of 65, and such a loss of benefits is utterly catastrophic. In Philadelphia alone, the Philadelphia Health Management Corp. estimates a one-third reduction in medicaid funds, after allowing for inflation. As the committee knows, the testimony of James J. Callahan, Jr., of Brandeis University before this committee on March 27 of this year estimated that the elderly will absorb from $481 to $555 million of the medicaid cuts. For the significant majority of such persons, all other living alternatives have been exhausted.

I read with interest the reports on the recent interchange between Chairman Heinz and David Swoap, the Under Secretary for Health and Human Services, which made it crystal clear that we do not have the ability to shift medicaid costs over into the medicare program.

Let me be clear that I am not arguing for business as usual. I am suggesting that the interactions between medicaid, medicare, and other social and human services is complex. Perhaps "under the gun," there has been a flood of recent suggestions for alternative cost containment schemes. What I request is time for the congressional leadership to construct a more cohesive strategy to bring about the necessary reforms. Viewed in light of the national priority to erect a safety net to protect the vulnerable elderly, the medicaid cap represents a serious breach in the fabric of the net.

Although our first priority is and must be to the chronically impaired, I am convinced that—in the long run—our best hope rests in maximizing the dignity, financial independence, and well-being of all our elderly. Indeed, I am convinced that such "preventive" measures can be effectively linked to our national strategies to provide services and support for the chronically impaired.

If public services to the elderly are to be decreased, it is incumbent upon us to find ways and means of augmenting the disposable income of that population while increasing voluntary participation in service provision. Stimulating the employment of older workers will not only provide additional income, but decreases the likelihood of chronic impairment for persons so employed. The expanding demand and need for services can and should be creatively linked to the wealth of productive talent and energy among our senior citizens. Such double utility approaches are both vital and far reaching in their implications. Writing in the March 1981 issue of "Scientific America" on the service sector of the U.S. economy, Profs. Eli Ginsburg and George J. Vojta point out that since 1948 the overall expansion in manufacturing, mining, and agriculture, has generated 3.6 million new jobs while the service sector of our economy has employed 27.2 million more people. We need to acknowledge that human capital is our central national asset, and this asset must be effectively tapped to assist us in meeting the rising demand for services for the chronically impaired. The 1978 Employment and Training Report of the President indicates that in 1950, 45.8 percent of the civilian population over the age of 65 was included within the labor force. By 1979, in spite of increased longevity and greater overall health status, this figure has fallen to 20 percent. In other words, while nearly half of all persons over the age of 65 were working full time in 1950, this figure has now fallen to one person in five.

Further, a study conducted by Peter Hart in 1977 for the National Commission on Social Security indicated that two or three retirees retire involuntarily because of poor health, mandatory retirement, or because they lost their jobs. Perhaps even more noteworthy, the 1979 Harris survey found that nearly half of present retirees would prefer to be employed. I respectfully suggest that as a society we should be, and we are, creative enough and committed enough to effectively tap this growing pool of talent to assist us in meeting the demand and need for additional services by the chronically impaired elderly and other populations with special needs within our communities and our neighborhoods across the United States.

We urge the support of programs which contain within them this double utility of simultaneously generating productive activity and income while increasing the quantity and quality of care and treatment for those with special needs. In this regard, I support the administration's efforts to maintain or increase funds for title V of the Older Americans Act, the retired senior volunteer program and the foster grandparent program. The vigorous enforcement of age discrimination laws, the full utilization of affirmative action mechanisms, the elimination of mandatory retirement and the lifting of the social security earnings cap can also contribute to this employment agenda.

Simply put, those who are willing and able to work should be judged on the basis of relevant functional capabilities, not discriminated against with respect to the

mere passage of time. Currently, the supplemental income restrictions currently tied to social security benefits should be eased. Perhaps such easement can be linked to more restrictive minimal payments, but why discourage proven productive members of the work force? Parenthetically, I gladly acknowledge the similarity of these two suggestions to the bill already proposed by Senator Chiles of this committee. A variety of mechanisms should be explored for supporting such policies. Elderly employees could be targeted for a percentage of openings made available by natural attrition. Tax incentives and budgetary allowances for private and public programs, respectively, could be tied to the extent of affirmative action applied to the hiring of elderly workers.

This brings me to my final point, that there must be a strong Federal presence in the emergence of health and long-term-care policy development, and that this Federal presence should creatively stimulate the private sector to coalesce in support of the priority elderly.

There are two central issues within this point. The first relates to the Federal role in long-term care, including interactions with the block grant process itself; the second to the appropriate focus of a strong Federal presence in long-term-care policy development.

It is no reflection on the capacity of State government that we can anticipate widespread unpreparedness at the State level in the face of the massive changes being suggested within the block grant process. The States must be given full opportunity to deliberate on the organization and implementation of long-term-care strategies. It sometimes seems that we are asking the States to lay their tracks—as well as their clients—in front of an onrushing train. We cannot afford to abandon our national leadership role at this point. Indeed, one of the principal purposes of Federal demonstration efforts in long-term care has been to rationally cut through the present maze of categorical rules and regulations which constrain local flexibility. We have learned from these demonstrations, and they have contributed directly to the administration's priorities. This is a plea for time—time for the thoughtful leadership in Congress to have the opportunity to bring about many of the reforms we know are needed. We have made major progress toward putting in place a variety of viable, replicable community-based model projects which represent cost-effective alternatives to institutionalization. In this sense our current crisis represents an enormous opportunity in which the States have a major role. As society's resources tend to move from basic to applied research and from acute to chronic care, it requires not only a Federal presence but also a readjusting of Federal research agendas in order to probe and address the problems of chronic impairment.

The long-range issue facing American society and which the proposed budget cuts underscore is how we can collectively do more with less. How can we be more efficient in utilizing existing resources? How effective can we be in mobilizing new resources? These are the long-range issues which must be resolved in developing a responsible, national policy for long-term care.

I would like to take this opportunity to suggest two central Federal strategies for stimulating the private sector to coalesce in assuming new and expanded societal responsibilities.

First, I would urge the removal of tax disincentives to older worker employment through the elimination of earnings limitations and the full exploration of methods designed to utilize Federal taxing policies to reward private, voluntary participation in community services. Full consideration should be given to amending Federal tax laws which make it possible to deduct the value of contributed labor in community service. Such tax policies should be linked to vigorous efforts to develop a full range of produtive options for seniors as volunteers, part-time workers, and full-time workers.

Finally, permit me to suggest and call for an expanded Federal role in the stimulation of programs designed to develop neighborhood-based resource cooperatives. I cannot stress too strongly the significance of coordinated Federal policies designed to increase the level of involvement and service of family, friends, churches, and neighborhood associations in support of the chronically impaired within our neighborhoods and communities as a device to prevent institutionalization. This initiative must explore a variety of neighborhood-based mechanisms as potential resource cooperatives. Our churches and synagogues represent a wealth of talent, energy, and commitment if properly mobilized. Similarly, senior centers, community mental health centers, civic associations, community associations, and other neighborhood-based public, private, and voluntary organizations represent potential mechanisms for such resource cooperatives. We should consider resurrecting the concept of a national youth service as an alternative to military service, and designate a certain portion of it to care for the elderly. Indeed, in order to accomplish our societal goal of making each public dollar generate

manifold returns, we should focus resources and energy on a variety of programs containing the potential for such "social multipliers." This initiative must be linked to a full range of services which make day-to-day living within their own neighborhoods a viable possibility for the chronically impaired elderly and a cost-effective solution for society.

In summary and by recasting my recommendations in a slightly different light, these thoughts are remarkably consistent with the spirit and substance of many of the policy statements of the current Federal administration. (1) By all means, contain the cost of health care. However, the restricted reimbursement schemes can be tied at least to the need to redistribute the priorities of the health care delivery system, so that they respond to the priority needs of the elderly. (2) By all means, dispose of nonproductive Federal regulations. However, include among the castaways those restrictions which inhibit or prevent the functional and productive older worker from generating the income which is so vital to the maintenance at least of good health. (3) By all means, provide incentives to take the greatest possible advantage of our own national resources and our free enterprise system. However, emphasize the utility of and the respect for that one resource in particular which for too long has been needlessly and irresponsibly ignored, and which now faces yet another uncalled for challenge to their quality of life, our elderly.

I sincerely thank the distinguished Special Committee on Aging for this opportunity to testify. For our part, Temple University is fully committed to seeking further solutions from our day-to-day experiences in health and long-term-care activities on local, State, and Federal levels. We will be pleased to assist the committee in furthering our shared agenda of securing good health, dignity, and productive alternatives for all older Americans.

Senator HEINZ. Mr. Jones.

STATEMENT OF DAVID C. JONES, EXECUTIVE DIRECTOR, HOMEMAKER SERVICE OF THE METROPOLITAN AREA, INC., PHILADELPHIA, PA.

Mr. JONES. Thank you, Senator Heinz.

Mr. Chairman, and members of the committee, I am very pleased to have been invited here today to give testimony on the administration's budget proposals for fiscal year 1982.

I also bring you greetings from the National HomeCaring Council, a national standard-setting organization for homemaker/home health aide services. The HomeCaring Council has reviewed the administration's proposals, and has given me permission to share with you some of their thoughts, which generally coincide with my own.

Before reacting to the President's proposals, specifically the one which will reduce Federal medicaid expenditures by $100 million in fiscal 1981 and impose a 5-percent cap on increased expenditures in 1982, I would like to give you a brief summary of the agency and service I represent, Homemaker Service of the Metropolitan Area.

Homemaker Service of the Metropolitan Area, a voluntary, nonprofit member agency of the United Way of southeastern Pennsylvania, was established in 1968. Fully accredited by the National HomeCaring Council, HSMA provides professional supervised homemaker/home health aide service in the homes of individuals and families throughout Philadelphia.

The service is designed to help chronically ill, disabled, or elderly persons to remain in their own homes. Homemaker service also creates wholesome family living and prevents family breakdown. The basic services are provided by trained, supervised homemaker/home health aides, and include personal care, meal preparation, shopping assistance, child care, and light household duties.

Additionally, the agency's home health division provides skilled nursing, home health aide, as well as medical social work, physical,

speech, and occupational therapy services in the homes of persons 65 years of age or older. Each year, HSMA serves over 500 families and individuals. We also participate in the medicaid program.

As the director of a home care agency which administers medicaid funds, I am deeply concerned about the current proposal to both reduce and cap medicaid expenditures. Placing a ceiling on expenses will, of course, effectively limit the program's growth, thereby limiting Federal participation in a meaningful health care program. However, the end result will be that already scarce resources for the poor and elderly will diminish further.

Even though medicaid expenses, federally, have increased more than 15 percent per year for the last 5 years—a rate which may seem alarming—such increases must be evaluated in relation to need. They must also be viewed in conjunction with the degree to which the increases have provided greater access to health care resources for the disadvantaged.

The plan for a cap on medicaid expenditures apparently is based on several assumptions—that the medicaid program can be more cost effective; that consumers use available services inappropriately simply because they are available, and that this causes costs to skyrocket; that increased competition within the health care sector will drive down costs and make for a more efficient system and that rationing medicaid dollars while the new system is developed will stimulate immediate savings.

These assumptions may or may not be valid. They certainly merit much more study. But I am concerned about the short-range impact of having fewer medicaid funds available in the face of increased need while program and policy changes are being implemented which, in my view, do not fully address a very complex socioeconomic problem.

Immediate reductions in a program which helps meet the health care needs of the country's poorest citizens can only make worse an already very serious situation. It is estimated that proposed policy changes in the medicaid program would cause Philadelphia to lose between $8.5 and $12 million. Presumably, this cut would have an across-the-board effect on all medicaid services.

From the standpoint of home care, funding cuts of this magnitude could have a devastating impact on service. At the present time, home care services under the medicaid program can only be provided by medicare certified services such as my own.

The current reimbursement rate is $13 per visit for all services provided to an individual or family in any given day. The rate covers only about one-third to one-half of the actual cost for even one service.

For example, if a patient needs skilled nursing, home health aide, and physical therapy services, and the treatment plan calls for all of these service disciplines to work with the patient on the same day, the reimbursement rate for all the services is $13.

Staggering visits to accommodate or maximize reimbursement certainly does not promote quality patient care.

Because of the significant difference between reimbursement and actual cost for home health services, medicaid service must be limited. Thus, many eligible patients either do not receive home care or look to more costly alternatives.

The specter of further restrictions in an already restrictive service atmosphere suggests even greater service limitations, especially for the poor and the elderly.

Approximately 5 percent of the elderly live in long-term institutions. Thus, the vast majority of this population live alone or in families, an ideal opportunity for providing the necessary support, through in-home services—which will enable older Americans to remain in their own homes when appropriate.

The possibility of reductions in medicaid reimbursement for home care through a cap appears to be leading us in the opposite direction, away from community support.

In summary, unless there is a reappraisal of current long-term policies under medicaid and accompanying legislative/administrative reform, it seems certain that the proposed cap on Federal participation in the medicaid program will only aggravate the inefficiencies inherent in the system.

In this regard, the National HomeCaring Council has made the following recommendations, which I support, in response to the administration's proposals: One, provide financial incentives for the use of noninstitutional rather than institutional services; two, authorize comprehensive homemaker/home health aide services under titles XVIII and XIX. This authorization would provide reimbursement for home management services in addition to personal care; and three, explore alternative methods of reimbursement to encourage more efficient service delivery.

In addition, consideration should be given to a Federal requirement for State or local "gatekeeping" programs under title XIX, whereby all potential nursing home candidates are submitted to a comprehensive assessment prior to placement.

Based on this assessment, a referral can be made to an appropriate community-based service, where feasible. These programs should have the responsibility for discussing with the individual family the range of options available for care.

It is my opinion, and that of the National HomeCaring Council, that these legislative changes would stimulate a more appropriate, cost-effective use of long-term care resources, and will help achieve some of the administration's goals for the medicaid program.

I wish to thank you, Senator Heinz, and the Senate Special Committee on Aging for the opportunity of addressing you today. [Applause.]

Senator HEINZ. Mr. Jones and Dr. Adelman, thank you very much for some very thoughtful testimony.

Dr. Adelman, you are with Temple University and Temple University has a most unique role right now with respect to health care and long-term care services in particular. You are engaged in the process, as I understand it, of providing technical services to some 12 operational channeling grant programs initiated in 1980 by what was then HEW, and is now the Department of Health and Human Services.

For those of you in the audience who don't know what the channeling grants are, it is a program that addresses the issue of—attempting to address the issue of—whether the Federal Government should continue to maintain the current system of long-term care financing, which tends to encourage the use of institutional

care, or if the Government should encourage a more comprehensive system of in-home and other community services.

Pennsylvania, by the way, is one of the States that has been awarded one of the operational planning grants and I was wondering if you are in a position to tell us, Dr. Adelman, what your experience has been with these programs so far, the extent to which you think they are succeeding or not, and how things are going generally.

Dr. ADELMAN. I think at this point the only fair response to your question, Senator Heinz, is that not enough time has elapsed. It is clear that many of us are in great fear that the Federal agencies which provide the source for these programs may be so shortsighted that they will begin to dry up.

It is very clear to those of us who are working out in the community, even those of us who have their feet planted on the university campuses, that the most reasonable way for containing the cost of delivery of many of these services has to do with the sharing of resources in local neighborhoods.

We would challenge this committee to raise the issue with Congress of the great necessity for a mandate for even more support, not necessarily Federal funds, but more support by encouraging the community groups, the local industry, the local educational institutions to interact with one another so that manpower needs can be linked with the existing capabilities of elderly people, or the trainable capabilities of elderly people which could be spoken to by all institutions of higher education and the informal support networks.

Senator HEINZ. To either one of you, Mr. Jones or Dr. Adelman. As you know, home health services under medicaid have been, although they are offered and are available, they haven't been much used by any State.

Something like only 1.2 percent of all the expenditures under medicaid are for home health services, and most of those are in New York State. There are almost none anyplace else.

Why is it, given the nature of the population served by the program and the cost-effective evidence for community-based services, that home health benefits have not been more widely used in other States, such as our State of Pennsylvania.

Mr. JONES. Senator, I believe that the key consideration there is the low reimbursement rate. As I mentioned in my testimony, the current reimbursement rate is $13 per day for all visits.

That could include a number of professionals providing service to a particular patient on a given day; $13 per day for all those visits does not come anywhere close to covering the full cost. That has been a limitation for us, although we try very much to provide service to a broad spectrum of the community because the need, certainly without question, is there

Senator HEINZ. Let me ask you this: What is the cost of reimbursement for a stay of 1 day in an intermediate care facility?

Mr. JONES. I am not exactly sure what the average cost for that would be, but I would imagine that in the short run, certainly, the cost of home health care would be much less than the cost for care in an intermediate facility.

Senator HEINZ. I am inclined to believe that is true. If that is true, if it is more cost-effective, even if you increased the home health service reimbursement rate by 15 percent which, at that point, would cover costs, and were most cost-effective to do that, why isn't it being done? There must be some reason that it is not being done.

Mr. JONES. I think another possibility may be that home health services are really not fully understood. The persons who make the primary referrals, many of them, physicians included, do not understand the benefits of home care because we have an orientation in our culture to institutional based care.

Home-based care represents a viable alternative to that but I think the industry is relatively young. We are still a baby in one sense and we have not been able to demonstrate through our organizations and in the local communities the real excellent benefit of home care and the fact that it can, in many instances, be less costly than institutional based care.

So, I think we have to change the orientation to how we look upon care in the community.

Dr. ADELMAN. I think that is very important and I would like to add the university perspective to it. As a trained researcher, I hate to relate anecdotal information but in attempting to utilize some of the physicians in our medical school, as recently as yesterday, in our nutritional program for the elderly, the type of response I would get was: "Do you have any idea how difficult and time-consuming it is to help an 80-year-old patient undress? I don't have the time to let my physicians do this sort of thing."

I don't want to be unfair to the entire medical community because these attitudes are changing. Developments for a rational program for geriatric medicine are now in a number of medical schools such as ours, but I think Congress, and people in general, have to recognize that there is a very serious attitudinal problem here among the health care delivery professionals that perhaps you should address more.

The educational aspect is absolutely key, to say nothing about the cost.

Senator HEINZ. Here in this room we have hundreds of senior citizens who would much rather, if they have got a choice, if they become a little frail, or become a bit affected by arthritis, or if their health isn't what it should be, would much rather, I think, maintain their independence in their apartment or home or wherever it is they are. [Applause].

And, yet, we know as a fact that so far we just haven't been able to mobilize all the elements to achieve what is not only what they want but what our commonsense tells us is a more cost-effective solution.

Dr. ADELMAN. Can't the Congress coerce the States to support the medical schools by telling them that they will help pay for medical education if they train their physicians to make in-home visits. It is not so unreasonable.

Senator HEINZ. That is not a bad suggestion. [Applause].

The concern I have immediately is that if the medicaid cap should be enacted, there is going to be pressure to limit reimbursement for home health services even more. It is already very nearly

insignificant in terms of services delivered under medicaid, but I would rather have 1.2 percent than 0.2 percent or 0.0 percent.

People are going to argue, look, this service can't be any good. It is not being used. Who cares? We will just save. It is not being used, therefore it must not work.

We know that would be a very short-sighted decision. What can you think of to encourage States today, things we can do now to more fully utilize this benefit?

Mr. JONES. From my perspective as an administrator of a program, it comes right down to dollars and cents. I think that one of the reasons that we, as an agency, have not been able to provide more medicaid services is the fact that we do not have enough reimbursement to cover the cost.

Senator HEINZ. Understood——

Mr. JONES. And that means that it is a hidden service because——

Senator HEINZ. No argument. I phrased my question in a very particular way, which is, what can we in the Congress do to get the States, who don't give you enough money to pay for it to more fully do the things they have to do?

What is it that States don't see, or what is it they do see that causes them to act the way they do?

Dr. ADELMAN. You heard a suggestion earlier today—why bother with that level of bureaucracy? Why not spend more time on increasing the available income to the elderly so that they can function as consumers and force the appropriate service deliverers to meet the kind of services they can utilize? [Applause.]

Mr. JONES. And, if I might add, if home care somehow could be established as a priority service, or some mechanism be set up to determine what kind of service a person needs, so that the most appropriate service could be provided, the most cost-effective service could be provided, then I think we would be moving in the right direction there. I think Congress can help with that.

Senator HEINZ. Over the longer term, we simply have to change our basic approach to this kind of problem. One of the things that has been proposed--I mentioned it earlier. I don't know if you were here—was what I would call a new title XXI that Senator Packwood, Senator Bradley, and I have proposed.

I don't want you to comment on it now but I would appreciate it if you would look the legislation over—we have introduced it this week—and give us your thinking on it. I believe pride of authorship is involved here. I believe it is good legislation, but I am sure it can always be improved, so I would value your comments which, if you have the time, I would certainly appreciate your looking at the legislation and sending us your thoughts and your views.

Mr. JONES. I would be delighted to.

Senator HEINZ. Thank you both very, very much. [Applause.]

I would like to ask Rodney Williams, executive director of the Philadelphia Corporation on Aging, and Merlin Herzog or Robert Campbell, who are here from the Pennsylvania Power & Light Co.

Mr. Williams, would you be our leadoff on the panel, please?

STATEMENT OF RODNEY D. WILLIAMS, PHILADELPHIA, PA., EXECUTIVE DIRECTOR, PHILADELPHIA CORPORATION FOR AGING

Mr. WILLIAMS. Senator Heinz and staff, senior citizens from Philadelphia and Pennsylvania, good morning.

Senator HEINZ. Good morning.

Mr. WILLIAMS. My name is Rodney D. Williams. I am the executive director of the Philadelphia Corporation for Aging.

We would like to thank the committee for this opportunity to present testimony at this hearing on the potential impact of the administration's plans for changes in the methods and amounts of Federal support for human services affecting the elderly.

As the area agency on aging for Philadelphia County, we will address these changes both as professionals and as advocates for the more than 330,000 persons over the age of 60 in Philadelphia.

Further, we hope to represent some of the issues of our colleagues across Pennsylvania.

The administration has proposed changes in domestic program policy that are sweeping and comprehensive. Although the aging network, as we like to call it, bears primary responsibility for serving the elderly, we are actually only a part of the complex service system that older persons interact with.

While funding for aging services themselves under the Older Americans Act have not yet been slated for severe constriction, the needs of older people will be increasingly more difficult to meet in the foreseeable future as a result of the impacts of other program reductions.

In essence, area agencies on aging have elected, in most cases, to serve only those who were not served by another system as a means of husbanding our resources. From what we can see, there will be more older people not being helped by others, and our resources will be even fewer.

When the Federal Government determines that a shift in policy is necessary, it should realize that the impact at the local level can be more dramatic than intended and will certainly be the result of complex interwoven influences that are characteristic of our interdependent society.

We feel that the broad changes proposed by the administration should be undertaken following more careful analysis of projected impacts rather than moving precipitously, and sometimes blindly, toward some vision of society that may not be workable for some of its members.

The aging network in Pennsylvania administratively consolidates funds from all service titles of the Older Americans Act, along with amounts that the Commonwealth of Pennsylvania intends to spend for the elderly from title XX of the Social Security Act and State general tax revenues.

The most immediate impact of the administration's plans will come from the decision to include title XX funds in the social services block grant at a 25-percent reduced level; a smaller but significant impact will be felt by the decision to fold in the U.S. Department of Agriculture reimbursement into a new title III of the Older Americans Act.

If Philadelphia were to lose 25 percent of its title XX funds, the loss would be close to $1 million. Folding in USDA funds would mean that those USDA moneys would cease to grow with inflation, a net loss of an estimated $100,000 per year before considering the effects of inflation.

However, even if inflation only moves up 10 percent in the next 15 months, which is a very optimistic prospect, the net result would be a financial blow of over 20 percent at the same time that we can expect demand to rise dramatically because of the impact of other programs, which we will discuss later.

The ongoing commitment to serve the most severely in need wherever possible, dictates that cutbacks will fall largely in the area of center-based services. It must be understood by policymakers, that group services have certain structural characteristics. You cannot cut below a certain point and still operate the service.

First, we will lose some centers altogether and many of the others will be severely curtailed in terms of the scope of their activities. The second and major area of change in the center-based system will probably be the forced consolidation of centers into general structures covering much larger target areas.

We will not be able to afford to fund as many individual organizations as we do now because of the extra administrative costs that go with that strategy. Since most of our centers are located in severely impoverished neighborhoods, it is not likely that they will be able to turn to their communities for support to maintain their center operations.

Moving to nongroup services, we would expect that reductions all around the service system will occur, which means fewer homemaker hours, fewer home-delivered meals, fewer caseworkers, et cetera.

Again, we expect consolidations to occur particularly in service management casework which is currently being provided as part of the comprehensive services of our senior centers.

While this may yield some administrative efficiencies, it will also mean that workers may lose some of the effectiveness that comes from being identified with neighborhood organizations.

We also anticipate that we may lose some of our capacity for providing information and referral services.

As mentioned earlier, the results of the administration's proposals will have an interwoven impact on older persons and, therefore, the systems that serve them. An examination of some of these impacts and how they will affect older people follows.

A typical client of our service system would be a Mrs. Smith, a 73-year-old widow, who owns a six-room rowhouse with oil heating, in north-central Philadelphia, valued at maybe $10,000 at the most.

Currently, Mrs. Smith has a regular income of about $4,000 per year. Her heating bill has gone up 410 percent since 1973 and her property taxes have risen 30 percent, so that she now pays about 50 percent of her income for housing-related expenses.

She is not eligible for some benefits because her home is an asset. If she becomes ill she will have to pay deductibles under medicare and, if not hospitalized, for the costs of her medication.

She probably received about $300 in fuel assistance this year. She will get less next year, if any, because that program is also

being cut back. If she is typical, she could save over 30 percent of her fuel bill if her home were weatherized, but since she is on a 4,000 person waiting list and the program is also being cut, that probably won't happen.

She may be attending a senior center and taking a meal there, cutting into her isolation and deferring the expense of the full cost of a well-balanced meal. But the center nearby may be closing because of transportation.

There are probably 10,000 Mrs. Smiths in Philadelphia. [Applause.]

I hope the applause doesn't take away from my time. [Laughter.]

Between our home-delivered meals program and our homemaker services, our in-home system is currently serving about 2,400 different persons, with about 300 on waiting lists.

All of these people have a high level of need, have friends or relatives who are already providing maximum help. At this point, we would like to comment on what we really think makes up a safety net that we have heard so much about.

By any standard, an older person who is alone, poor, or chronically ill would be considered truly needy. However large the number of truly needy is, we know we are now serving only a small portion of this group. Therefore, we know that even if cuts are forthcoming, which they are, many will fall between the cracks.

In short, from our vantage point it would appear the social safety net, which was inadequate in the first place, is comprised of the interlocking support of a whole range of programs.

Reducing or eliminating any one program shrinks the whole net as well as adding to the number of people and the severity of the problems that the net is supposed to catch.

While we appreciate the complexity of all the programs at the Federal level, at the local level it comes down to basic mathematics. Fewer economic transfers to people creates demand for the social safety net and fewer resources to the system reduces the size and capacity of the net.

Skipping through to a summary, few would question the need to rationalize the jumble of Federal programs now under different administrative departmental auspices, perhaps for the first time, under the impact of inflation, an incoming administration could have broad public support in redefining Government's role in addressing the needs of its private citizens and in restructuring the Federal Government to assume its proper role.

We are concerned that while some may agree that local and State levels are appropriate sites for public policy decisionmaking, there are two serious problems that I would like to quickly mention and conclude with.

First, local governments, particularly, have been equally affected by inflation, budget deficit problems, and carry heavy and fixed responsibilities for delivering core services. A contracting Federal dollar will squeeze city budgets and the response can be predicted—human service dollars, already scantily available, will go first.

Second, local and State governments will not have the dollars to address complex issues which will emerge as they assume responsibility for resource allocations under the block grant process.

In conclusion, we would recommend that the process of Federal divestiture of responsibility be slowed to allow States and local areas time to develop appropriate responses and processes to handle the resolution of competing claims upon the social service dollar.

If the divestiture is to remain there should not be an automatic 25-percent reduction in programs targeted for inclusion in block grants. Thank you. [Applause.]

[The prepared statement of Mr. Williams follows:]

PREPARED STATEMENT OF RODNEY D. WILLIAMS

My name is Rodney D. Williams. I am the executive director of the Philadelphia Corp. for Aging.

We would like to thank the committee for this opportunity to present testimony at this hearing on the potential impacts of the administration's plans for changes in the methods and amounts of Federal support for human services affecting the elderly. As the area agency on aging for Philadelphia County, we will address these changes both as professionals and as advocates for the more than 330,000 persons over the age of 60 in Philadelphia. Further, we hope to represent some of the issues of our colleagues across Pennsylvania. We hope that our remarks can be helpful in your deliberations in the coming months on the many domestic issues that you face, and that the needs of older persons, particularly those who are most frail and vulnerable, remain uppermost in your minds.

The administration has proposed changes in domestic program policy that are sweeping and comprehensive. It is dfficult to know where to start to describe how we see the future based on each area of change. Although the aging network, as we like to call it, bears primary responsibility for serving the elderly, we are actually only a part of the complex service system that older persons interact with. While funding for aging services themselves under the Older Americans Act have not yet been slated for severe constriction, the needs of older people will be increasingly more difficult to meet in the foreseeable future as a result of the impacts of other program reductions. In essence, AAA's have elected in most cases to serve only those who were not served by another system as a means of husbanding scarce resources. From what we can see, there will be more older people not being helped by others and our resources will be even fewer. We view our services, particularly those to the homebound, as being a very real but unacknowledged part of the social safety net. But the net is getting smaller and smaller while the need grows larger and larger.

The general idea that public expenditures must be constrained for the benefit of the Nation as a whole is something that cannot be argued with. Most older people and the employees that serve them are middle- to lower middle-income taxpayers too, so we have an appreciation for the problem. Further, we know that a great deal of public money is wasted, through duplication of effort and unnecessary administrative processes and structures. We acknowledge that fraud occurs as well, although we suspect that its incidence is much lower than advertised and may not exceed the costs of unusual efforts to prevent it.

However, when the Federal Government determines that a shift in policy is necessary, it should realize that the impact at the local level can be more dramatic than intended and will certainly be the result of complex interwoven influences that are characteristic of our interdependent society. We feel that the broad changes proposed by the administration should be undertaken following more careful analysis of projected impacts rather than moving precipitously, and sometimes blindly, toward some vision of society that may not be workable for some of its members.

The aging network in Pennsylvania is constructed through the vehicle of administratively consolidating the funds from all service titles of the Older Americans Act along with the amounts that the Commonwealth of Pennsylvania intends to spend for the elderly from title XX of the Social Security Act and its general revenues. In Philadelphia, this contracting process yields $12,840,580, to which another $1,078,651 is added to meet matching requirements, and $520,000 from USDA meal reimbursements, to yield a total of $14,437,231 for the year beginning July 1, 1981.

The most immediate impact of the administration's plans will come from the decision to include title XX funds in the social services block grant at a 25-percent reduced level; a smaller but significant impact will be felt by the decision to fold in the USDA reimbursement into a new title III of the Older Americans Act. If Philadelphia were to lose 25 percent of its title XX funds, the loss would be close to

$1 million; folding in the USDA funds would mean that those USDA moneys would cease to grow with inflation, a net loss of an estimated $100,000 per year before considering the effects of inflation. However, even if inflation only moves up 10 percent in the next 15 months (a very optimistic prospect) the net result would be a financial blow of over 20 percent at the same time that we can expect demand to rise dramatically because of other impacts that we will discuss later. This also assumes that the aging network and its clients will retain its current share of other social service resources slated for inclusion in the new block grants.

The ongoing commitment to serve the most severely in need wherever possible, dictates that cutbacks will fall largely in the area of center-based services. It must be understood by policymakers, that group services, e.g., senior centers and transportation, have certain structural characteristics. You cannot cut below a certain point and still operate the service. Certain fixed costs must be maintained if doors are to be kept open and accountability demands met. Due to this characteristic, we expect that sweeping changes in our senior center system will be forced by the economic situation that we will face. We currently have 32 senior centers providing a broad-based range of services to literally thousands of older people. Two consequences are likely. First, we will lose some centers altogether, and many of the others will be severely curtailed in terms of the scope of their activities. In effect, we may have nutrition sites rather than senior centers and even fewer of them. Services such as education and therapeutic socialization and recreation will be all but stopped. Transportation services, including trips to physicians and food shopping facilities, will be further reduced (we have already cut back 20 percent this year). Onsite counseling may be all but eliminated.

The second and major area of change in the center-based system will probably be the forced consolidation of centers into general structures covering larger target areas. Many people, particularly those not familiar with Philadelphia's character, may well see this latter effect as something to be desired. However, it should be understood that one of the primary benefits that older people derive from going to senior centers is a sense of participation and identification with a group that is essential to any person's well-being, breaking through feelings of isolation and loneliness. For Philadelphians, one of the strongest undercurrents of personal identity is with their neighborhood, and having some sense of investment and belonging in the structures that they participate in. We will not be able to afford to fund as many individual organizations as we do now because of the extra administrative costs that go with that strategy. Since most of our centers are located in severely impoverished neighborhoods, it is not likely that they will be able to turn to their communities for support to maintain their centers.

Moving to nongroup services, we would expect that reductions all around the service system will occur, which means fewer homemaker hours, fewer home-delivered meals, fewer caseworkers. Again, we expect consolidations to occur particularly in service management casework which is currently being provided as a part of the comprehensive services of our senior centers. While this may yield some administrative efficiencies, it will also mean that workers may lose some of the effectiveness that comes from being identified with neighborhood organizations and the knowledge they develop of neighborhood resources.

We also anticipate that we may lose some of our capacity for providing information and referral services, foster and domiciliary care, and our capacity for developing existing and future programs. All in all, we will try to maintain the volume of services at the expense of their intrinsic qualitative elements after reducing administrative costs to the absolute minimum.

When estimating the numbers of individuals that will not be served as a result of these changes, it should be remembered that we will be in a position to make some discretionary decisions, so that actual numbers are guesswork at this time, as is the actual amounts of funding cuts and the impact of inflation. Conservative estimates, however, are easy to make because we are already cutting back services this coming July faced with a 4-percent increase in resources and a 12-percent rise in costs, and over the period of 1972 to now, this has been a relatively good year in the funding versus inflation race. A list of potential service losses is appended.[1]

As mentioned earlier, the results of the administration's proposals will have an interwoven impact on older persons and, therefore, the systems that serve them. An examination of some of these impacts and how they will affect older people follows. We hope to make clear as well the interlocking nature of service programs and benefit transfers, both to make members of the committee aware of this issue and to illustrate that the "social safety net" is a lot smaller and more porous than has been publicly represented.

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[1] See appendix, item 2, page 400.

A typical client of our service system would be Mrs. Smith, a 73-year-old widow who owns a six-room rowhouse with oil heating in north-central Philadelphia valued at $10,000. Currently, Mrs. Smith has a regular income of about $4,000 per year. Her heating bill has gone up 410 percent since 1973 and her property taxes have risen 30 percent so that she now pays about 50 percent of her income on housing-related expenses. She is not eligible for some benefits because her home is an asset. If she becomes ill she will have to pay deductibles under medicare and, if not hospitalized, for the costs for her medications. She probably received about $300 in fuel assistance this year. She'll get less next year, if any, because that program is being cut back. If she is typical, she could save over 30 percent on her fuel bill if her home were weatherized, but since she is on a 4,000-person waiting list and the program is being cut, that won't happen either. She may have been attending a senior center and taking a meal there, cutting into her isolation and deferring the expense of the full cost of a well-balanced meal. But the center nearly may be closing and transportation cutbacks in the aging network and those proposed in the subsidies to urban mass transit systems may mean that she won't be able to get to any of the centers that aren't within walking distance.

Her financial position is apt to worsen over time, as well as her health status. Her home will continue to deteriorate; and she will not be able to have it fixed because of home repair cutbacks. If she sells her home, she won't find assisted housing and high rent payments will quickly consume her home equity. As a last resort, she can turn to the aging network, which would not have any way to help her in her present situation but to provide advice because our services already have waiting lists for people who are even poorer and are already physically disabled. There are probably 10,000 Mrs. Smiths in Philadelphia.

Let's discuss Mr. Jones, who is a widower and rents a two-room apartment in west Philadelphia. His income is $400 per month, his rent is $125, and utilities cost $50 per month this winter, probably $75 a month next year, and the landlord is asking for a 10-percent increase. Mr. Jones, who is hypertensive and diabetic, had been going to a senior center where a nurse came in to monitor blood pressures, and his physician is employed by the neighborhood public health center, which is scheduled to close as a result of funding cutbacks. When Mr. Jones stopped coming to the center, a center service manager was asked to visit and, upon finding him ill, took him to his physician who ordered medication, bed rest, and a special diet. The waiting list for home-delivered meals has gotten rather long, the waiting list for homemaker service even longer. Without these services, Mr. Jones will be hospitalized within a few months and the cost of that hospitalization could well exceed in 10 days what it would have cost to send in a daily meal and a homemaker for a year. After his hospitalization, his condition becomes chronic, but medicare will no longer pay for inhome nursing service; if he needs nursing home care, he will face a waiting list for medicaid nursing beds that is already over 1,200 persons long. There are many Mr. Joneses in Philadelphia.

We could cite many more examples of situations that exist in Philadelphia and all across the country. Even more dramatic examples will occur in situations when we will have to withdraw inhome services from those who are currently receiving them. Between our home-delivered meals program and our homemaker services, our inhome system is currently serving about 2,400 different persons, with about 300 on waiting lists. All of those people have a high level of need, have friends or relatives who are already providing maximum help. It is not too dramatic to say that in those cases where these life-sustaining services will be curtailed—and there will certainly be some—rapid physical, pyschological, and financial deterioration will occur.

At this point, we need to comment on what it is that really makes up the "social safety net" that we have heard so much about. By any standard, an older person who is alone, poor, and chronically ill would be considered truly needy. As of the 1970 census, there were 53,183 persons over the age of 65 living below poverty, and 61,283 living alone. Additionally, some 81,421 persons were over 75 and 46,640 were nonwhite over the age of 65. Those four groups are considered to be most at risk of becoming chronically ill and needing assistance with living at home. Finally, as many as 17 percent are estimated to have significant disabling conditions. However large the number of "truly needy" is among these groups, we know we are only serving a small portion of that group now and we know that the number of people in that condition is growing daily. Therefore, we know that even if cuts were not forthcoming, which they are, we will fall further and further behind the needs of this group. All of the changes proposed in housing, weatherization, fuel assistance, and others mean that the number will grow more rapidly. We know also that proposals for medicaid, CETA, and the proposed retrenchments in services eligible for medicare reimbursement, among others, will significantly reduce the entire system's capacity to respond.

In short, from our vantage point it would appear that the "social safety net," which was inadequate in the first place, is comprised of the interlocking support that a whole range of programs provided. Reducing or eliminating any one program shrinks the whole net as well as adding to the number of people and the severity of the problems that the net is supposed to catch. While we appreciate the complexity of all of these programs at the Federal level, at the local level it comes down to basic mathematics. Fewer economic transfers to people creates demand for the social safety net, and fewer resources to the service system reduces the size and capacity of the net. Someone has to fall out. Many of the administration's proposals will simultaneously increase the need for the safety net and shrink its capacity.

Having discussed the probable consequences of some of the proposed actions of the administration, we would like to comment on the principle of block grants. Specific comments on particular changes have been appended so as not to make this testimony any more complex than it already is. Historically, the elderly have not fared well in block grant situations because their needs have been pitted against other needs that society either appreciates more or fears more, such as services to the mentally ill, services to children, rehabilitation of the physically handicapped, and services for the retarded.

In block grant situations, State and local officials are faced with making decisions in a political environment. The most needy of the elderly, the frail and homebound, are unable to be effective advocates for themselves. Even in situations where groups of older persons are visible, they are pitted against the homebound by the fact that they, justifiably, want to retain the services that will afford them the opportunity to defer or prevent their becoming homebound and completely vulnerable. Therefore, State and local elected officials often respond to the groups that are most likely to respond negatively if they are turned down. And, frankly, the homebound elderly are not an effective voting block.

We, therefore, would strongly encourage targeting policies in any Federal block grant legislation that would encompass resources to serve the elderly. While local flexibility in program design and in establishing specific mixes of service is critical to responsiveness, broad Federal service goals should be set.

In summary, we wish to emphasize our general support for the need to reexamine Federal spending patterns. To the extent that Federal spending has been a factor in inflation, it needs to be reduced. Social programs are one part of that spending pattern and they need examination and restructuring. We do not, however, support using that category of Federal spending as the sole or primary source of budget balancing. To do so is to substitute fiscal policy for public policy.

As indicated earlier, we have appended [1] programmatic recommendations or comments in nine service areas. These address specific areas slated for reductions such as food stamps, housing services, medicaid, energy assistance, and other program areas. What follow are broader recommendations addressing the proposed process itself.

We wish to reiterate that the Federal Government's discretionary expenses—"the controllables"—represent for many private citizens living at an economic, social, or physical margin a benefit which translates into an essential service or dollar intervention. Social programs were not developed as "frills" but in response to "holes" in the service system—gaps in the safety net identified by Congress in the past. Clearly, the piecemeal process in which they were developed and put in place reflects the absence of a coherent or cohesive public policy. Few question the need to rationalize the jumble of Federal programs now under different administrative departmental auspices, perhaps for the first time, under the impact of inflation, an incoming administration could have broad public support in redefining Government's role in addressing the needs of its private citizens and in restructuring the Federal Government to assume its proper role.

The new administration, however, has chosen to pass this redefinition and reexamination of public policy down to a State and local level, abruptly and without instructions, save a financially imposed 25 percent caveat.

We are concerned that, while some may agree that local and State levels are appropriate sites for public policy decisionmaking, there are two serious problems with this sudden transfer of responsibility:

(1) Local governments, particularly, have been equally affected by inflation, budget deficit problems, and carry heavy and fixed responsibilities for delivering core services such as education, fire and police protection, transit and sanitation services—local government uncontrollables. A contracting Federal dollar will squeeze city budgets and the response can be predicted—human service dollars

[1] See appendix, item 2, page 400.

already scantily available will go first as localities have traditionally not seen that as their prime responsibility.

(2) Local and State governments will not have the dollars to address complex issues which will emerge as they assume responsibility for resource allocations under the block grant process.

We would recommend that the process of Federal divestiture of responsibility be slowed to allow States and local areas time to develop appropriate responses and processes to handle the resolution of competing claims upon the social service dollar; if the divestiture is to remain immediate, that there not be an automatic 25 percent reduction in programs targeted for inclusion in block grants; that reductions be phased in over a 2- to 3-year period to allow time for adequate local and State review and decision.

We suggest the above largely out of a concern that the process planned by OMB will have enormous and now unforseen unintended consequences. As detailed above, this country's service network has vast interlocking connections with the private, public, and voluntary dollar. It is as complex as the economy itself. The removal of what is sometimes the binding ingredient—the Federal dollar—as was discussed above can dissipate the use and effectiveness of the private or local dollar and, eventually, the entire system. This outcome would result in a growth in unmet human needs in ways that are not clearly understood, but will most certainly occur.

Senator HEINZ. I want to apologize for the microphones and the speaker system. We seem to have a very large "glitch" living—you all know what a "glitch" is. It is something that is heard and not seen—in the system.

Mr. Hertzog, would you please proceed?

Mr. HERTZOG. Senator Heinz——

Senator HEINZ. I think you are really going to have to speak into the microphone because they were turned down to a lower level.

Mr. HERTZOG. Maybe this is part of the timing system.

Senator HEINZ. No, it is not part of our timing system. I wish I had thought of it.

STATEMENT OF MERLIN F. HERTZOG, ALLENTOWN, PA., SENIOR VICE PRESIDENT, HUMAN RESOURCES DEVELOPMENT, PENNSYLVANIA POWER & LIGHT CO.

Mr. HERTZOG. Distinguished committee members, ladies and gentlemen, my name is Merlin Hertzog. I am senior vice president of human resources development at Pennsylvania Power & Light, which, as you know is in Allentown a little suburb of Philadelphia.

Although I am an 11th-hour substitute for our president, Bob Campbell, the commitment to this whole program is not new to me. About 1½ or 2 years ago I did testify in Washington at Senate hearings in support of coming up with a program of energy assistance.

In the interest of time, I will condense and ad lib as appropriate, so that our distinguished reserve panel back here may be able to get a chance to say a few words.

I thank you for the opportunity to appear today. P.P. & L. has been committed to working with Government to try to solve what we consider a very serious problem for both the short and the long term.

We have ourselves developed three programs which I would like to just touch on briefly. The first one, which is our latest one, is called the CARES program, which stands for customer assistance and referral evaluation service.

We formed this on the basis of working with community agencies, consumer panels, and so forth. They identified the need that

existed in the community and I guess the best way to describe it since we have submitted written testimony——

Senator HEINZ. Let me say that both you and Mr. Williams' testimony, in their entirety, will be a part of the record.

Mr. HERTZOG. Thank you.

I would like to just quote one of our female employees that is associated with the program. She said: "The old are such a forgotten people. Often they are the most conscientious customers because they go without eating so they could pay their electric bills. Somebody has to care about them."

We started this pilot program. We call it pilot but it has been so successful, I am sure it will continue in all of our divisions. The second program was an emergency financial assistance program that we started in January 1980.

The idea was that we would pay through the shareowner cost—below the line, as they say in the utility business—into a funding, which was run by the community, seed money that would provide for that true emergency condition.

If you run out of oil—we didn't care what kind of fuel it is, we are an electric company—but if you run out of oil in the middle of the night, the oil dealer says, I won't deliver anything except 150 gallons, or coal, or whatever, this is the seed money that got many programs started.

In every division now we have oil dealers, coal dealers, ourselves, other agencies contributing to run this type of 24-hour service for customers of any type of fuel source.

The third program that we implemented was an insulation blowing machine. I think earlier somebody alluded to the fact that there are those that are just on the borderline, over the top of the poverty guidelines and were not eligible for weatherization.

With these machines, the agencies, again, the communities get involved. They will go out and they will weatherize homes for those that request it who fall within these guidelines.

We have found out, based on statistics, that 63 percent of the homes that have been weatherized are homes owned by the elderly.

Concerning the Federal funding, there is no doubt that there is a need. The private sector can't do it. We have to work with the Government. It is a big problem. We also realize, as I said earlier, there is a short-term and there is a long-term problem.

In addressing the long-term problem, we do believe that the program of energy assistance should be tied in with the weatherization program. I know that you are very much aware of the difference in guidelines between the two programs.

One is 125 percent of the poverty level and one is 150 percent to become eligible. Just in Pennsylvania alone a rough estimate that I worked out is 600,000 people would qualify for the energy assistance but they won't qualify for the weatherization.

So we do recommend that these two programs are tied together and people applying for the energy assistance should have some way of tying in directly into the weatherization to take care of the longer term problem.

Pennsylvanians, I think somebody did mention earlier, do spend a greater part of their disposable income on the household energy needs.

In addition, household energy expenditures, I am sure you are well aware of this, have risen at a rapid rate during the seventies and are projected to continue rising at even greater rates in the future.

Thus, we at P.P. & L. find the evidence in Pennsylvania very compelling for continued Federal funding of the Low-Income Energy Assistance and Weatherization Acts at the present or even greater levels.

In P.P. & L.'s territory, about 25 percent of the elderly population are below the poverty level. Last year, Pennsylvania received the second highest allocation of funds, which is about $124 million for that fiscal year heating season.

This was barely enough to meet the needs of our senior citizens and low-income people in Pennsylvania. This is also based on decontrol happening later in the year.

In order to summarize, I would like to make one last pitch. Senator, in the face of projected increases in energy prices, even maintaining last year's funding level in effect, give you a cut in the real energy assistance to our low-income and senior citizens. To cut further would increase the burden of inflation on those who can least afford it, that is, our older Americans.

I am very proud and happy to be part of your effort today. Thank you. [Applause.]

[The prepared statement of Mr. Hertzog follows:]

PREPARED STATEMENT OF MERLIN F. HERTZOG

My name is Merlin F. Hertzog. I am senior vice president of Pennsylvania Power & Light Co., an investor-owned public utility which provides electric service in 29 counties of central-eastern Pennsylvania. Our service territory includes 20 percent of the population and 22 percent of the land area of the Commonwealth. P.P. & L. also operates as part of the Pennsylvania-New Jersey-Maryland interconnection, which is one of the world's largest, fully integrated bulk power pools.

Thank you for the opportunity to testify concerning Federal energy assistance and weatherization programs affecting the low-income elderly.

Pennsylvania Power & Light Co. actively supports the concept that private sector efforts as well as Government efforts are necessary to assist low-income persons who are having difficulty paying their energy bills. We at Pennsylvania Power & Light Co. have become increasingly sensitive to the plight of our low-income customers, particularly the elderly, through our CARES program; our emergency financial assistance program; and our insulation blowing machine program.

Our experience with these programs, which I will describe briefly, has confirmed our convictions that low-income consumers are indeed in need of energy assistance of a magnitude far greater than that available from the private sector.

Last October, based on the advice and expertise of consumer advisory panels, social agencies, and community organizations, P.P. & L. initiated a 6-month pilot program called CARES (customer assistance and referral evaluation service). The primary goal of the CARES program is to provide assistance and solutions to customers who are faced with hardships (e.g., low-income senior citizens caught up in the web of inflation, head of household unemployed, lengthy illness or serious injury to head of household, etc.) and as a consequence cannot pay the full amount of their electric service bills.

The primary functions of the three CARES representatives include:

(1) Preventing termination of service for those customers who are faced with legitimate hardsips.

(2) Making payment arrangements based on customers' ability to pay.

(3) Conducting home visits to determine the root cause(s) of customers' inability to pay.

(4) Referring customers to appropriate social agencies and community organizations for assistance.

(5) Providing basic credit counseling guidance to customers; and

(6) Providing customers with no cost/low cost energy conservation tips and information.

In January 1980 we established an emergency financial assistance program, the objective of which is to provide emergency financial assistance to low- and fixed-income ratepayers on a one-time-only basis when they are unable to pay the total amount of their energy bill. The conduit for these donations (which come from P.P. & L.'s charitable contributions budget) are community organizations and/or social agencies which have self-established and self-administered guidelines for budgeting, raising, distributing, and accounting of emergency fuel funds. Different localities have established various emergency fuel committees. It is the sole responsibility of these committees to interview applicants and distribute funds.

In August 1979 P.P. & L. instituted an insulation blowing machine program, through which various social and community organizations can make use of insulation machines at no cost for the purpose of insulating the homes of low-income persons whose incomes are slightly above the weatherization program guidelines. Of the 199 homes insulated thus far, 63 percent are owned by the elderly.

Concerning the need for Federal funding, we recognize the problem of the low-income elderly being particularly vulnerable due to the additional infirmities which so often accompany advancing years. Therefore, we strongly support continued Federal funding of low-income energy assistance, with priority being given to the elderly and the handicapped. However, in order to be wise stewards of scarce Federal moneys, we recommend that Federal weatherization funds should be made an integral element of any energy assistance program. Unless weatherization is mandated, there will result a larger expenditure of government moneys than would otherwise be necessary. Homeowners applying for low-income energy assistance should be mandated to apply for weatherization assistance if they have not already weatherized their home to appropriate levels. Our experience indicates that application for weatherization assistance does not normally occur in these cases.

The weatherization referral process is hindered by differing income guidelines. The income guidelines for LIEAP are a maximum of 150 percent of the poverty level, whereas the income guidelines for weatherization are a maximum of 125 percent of the poverty level. In Pennsylvania, we have 2.4 million persons who qualify as eligible for LIEAP (150 percent of poverty level) and 1.8 million persons who qualify for weath.. . 'ion (125 percent of poverty level). In addition, weatherization agency personnel have discovered that they are spending considerable time handling referrals from the Department of Public Welfare that do not qualify for weatherization assistance. There is clearly a need to standardize the income guidelines for the energy assistance program and the weatherization program.

Pennsylvanians spend a greater share of their disposable income for household energy than do average Americans. In 1978, the share of income expended on household energy was 19 percent greater in Pennsylvania than in the United States as a whole. Many studies conducted to identify household energy expenditures of low-income families indicate that these low-income households spend a far greater share of their income on household energy needs than do higher income groups. Since the share of income spent on energy is higher in Pennsylvania than in the United States, the burden on low-income families in Pennsylvania is that much greater.[1]

In addition, household energy expenditures have risen at a rate of about 16 percent annually during the late 1970's, and are projected to continue rising at similar rates in the foreseeable future.

Thus we at P.P. & L. find the evidence compelling for continued Federal funding of the low-income energy assistance and weatherization acts at the present or even greater levels.

Our own Pennsylvania Department of Welfare received $124.5 million this fiscal year under the low-income energy assistance funding program and barely found these funds adequate to meet the need. The budget authorization and appropriation for the LIEAP program for fiscal year 1981 was made based on oil price decontrol effective October 1, 1981. However, since then, the decontrol date was advanced to February 1, 1981.

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[1] Household energy expenditures are for fuels and utilities used for home heating/cooling, lighting, and household operations (i.e. cooking, washing, heating water, etc.). In 1978, the Commonwealth's residents spent 4.4 percent of their disposable income on household energy as compared to 3.7 percent by the average U.S. household. However, the Nation's low-income households spent approximately 17.8 percent of their total income on basic minimum energy needs in 1978. Applying the ratio of energy expenditure between low-income and average-income family in the United States, the low-income families in Pennsylvania have to set aside 21.2 percent of their income for minimum basic energy needs.

In the face of continually spiraling energy prices, even maintaining last year's funding level results in a cut in real energy assistance. To cut further would increase the burden of inflation on those who can least afford it.

Senator HEINZ. Mr. Hertzog, you have been a very able stand-in for Mr. Campbell. We appreciate your being here, as we do Mr. Williams.

Let me just say, one of the questions we addressed at our low-income energy assistance and weatherization hearing yesterday with the administration, with Mr. Stockman, was what the administration's justification was for decontrolling oil and increasing the revenues to oil companies while they were decreasing the amount of energy assistance to poor people.

We are still waiting for that answer, by the way, because there isn't one. There is no good answer to that question. I think you made that point yourself quite eloquently, and those of us who understand some of these problems I think are going to try and seek a solution.

But I have got to say that, unfortunately for many Senators, the issue of low-income energy assistance becomes a regional issue. Those of us who are from Northern States, those of us who know the heating bill of a senior citizen can be $1,000, $1,200, $2,000, know just how impossible the situation is.

A Senator who may represent San Diego, or San Francisco, or Houston, simply may not understand how desperate the situation may be. So we have a political problem that we are trying to deal with, but it is a considerable problem.

I have a few questions I would like to ask both of you. First, for Mr. Williams, essentially you expressed a good deal of concern about what would happen to services for the elderly under a consolidation of title XX into a block grant, and your concern is not only related to the shrinkage of money for the combination of those programs, some 12 of them, currently being funded at the rate of roughly $5 billion, which would undergo a 25-percent reduction down to about $3.8 billion.

But, as I understand it, you were concerned that the elderly would not even receive their fair share, their present share, of whatever budget we might establish; is that correct?

Mr. WILLIAMS. Yes; I think I was trying to express two concerns. One, as you mentioned, was the amount of reduction. Block granting in itself might not be such an issue if the budget could remain intact.

The 25-percent reduction, and this is our basic concern, we would then have certain services compete against each other. And I am not sure if the needs of the aging would stand up against other services and I don't think it is fair for any service group to have to compete for a scarcity of dollars.

I think the other major concern was we are not sure that the States can deal with the broader public policy issues. We are not sure the Federal Government has dealt with it and it would appear to us that to simply give the States less money without a resolution of certain issues would not affect the good use of block grants, even if States were willing and interested; they wouldn't have the technology.

Senator HEINZ. Let's assume for the moment that the transition, and I do mean transition, to block grants is a good idea, but that

there needs to be a transitional period during which States essentially gear up, improve their sensitivity and their capability.

How can we best help them through such a transition period? What kinds of things should we ask them to be doing that, as you understand the block grant program, we are not asking them to be doing, at least as proposed by the administration.

Mr. WILLIAMS. I think initially they ought to be asked to provide some kind of effective mechanism to determine needs in States and come up with some rationally allocated scarcer resources based on need assessments.

Many people who testified and, I am sure, many in the audience feel—I also share this concern—that too many decisions might be made by pressure policy and not based on the most efficient use of resources based on where the needs are.

But it would seem to me that a 2- or 3-year moratorium to give States time to develop and gather this kind of information would be more beneficial to the States than simply to give them instant responsibility overnight.

Senator HEINZ. Suppose we asked the States, which is not, by the way, what has been proposed by the Reagan administration, as a condition of receiving their block grant money to first do many of the things you have done; to ascertain needs, to set priorities and to tell us what service delivery mechanism they are going to use to meet those goals and priorities, and to have a set of priorities set forth in our enabling legislation against which we could, as a general rule, measure what the intent of Congress and what the performance of the State was intended to be, and where there are major divergences of goals and priorities, a State would not be precluded from having a waiver as long as they explained why it was necessary, all of which, presumably, would be subject to citizen participation on the State level before such a plan was submitted as part of an application. Would that work?

Mr. WILLIAMS. There are some models that would speak to some effectiveness of that approach. Title XX, for instance, does require a comprehensive plan development and does afford public response to the plan.

Our Older Americans Act, which was so essential to AAA's also called for local and State plan development and mandates public response.

Senator HEINZ. Do you believe those requirements have been effective?

Mr. WILLIAMS. Yes, I do.

Senator HEINZ. So, we would be well advised to be sure that in any block grant, whether we like the amount of money in it or not, but if a block grant is going to be some kind of inevitability—and it might be; we don't know—that, at a minimum, those kinds of safeguards were included in it.

Mr. WILLIAMS. But I think there is another important safeguard. I think that the Federal Government should not abdicate its total responsibility to set certain kinds of parameters or goals for use of block grant money.

I am not sure what Congress has in mind but if States were to come up with plans which completely ignored reasonable and rec-

ognizable groups of people from service, which excluded them from service, I don't think that Congress really intended that.

And, I would assume that Governors and State legislators would be agreeable to certain parameters or broad goals within which these block grants would have to function.

Senator HEINZ. In proposing to you the first question, I think I said—if I didn't, I meant to say that Congress would specify certain goals and priorities against which the plans and performance of the States would be measured, with the thought you just mentioned in mind. I would like to see that precisely done, if that is what I think you meant.

Mr. WILLIAMS. Yes, I am in support of that. I do not understand that is being discussed at the moment, however.

Senator HEINZ. It is between you and me. It is not being discussed because Mr. Stockman, when he was before the committee yesterday, was very clear. I asked him whether he intended to have any priorities, any reporting, any accountability, any goals, any guidelines, and the answer was no, just turn the money over to the State, say it is for this group of services and all the State has to do is have a State statement that they are going to spend it for these purposes, maybe it is on one piece of paper, and that is it.

My view is that the taxpayers who are ponying up this money in just a few days on April 15 would like to know how that money is being spent. [Applause.]

If I call Mr. Stockman or Linda McMahon, who is going to be the administrator of this program, up before the committee and I ask her next year how did the block grant go, how did the States spend the money?

She will say, "We don't know, we didn't require any reporting." And I will have to go back to my taxpayers and say, you want to know how that services money is being spent? I can't tell you because Health and Human Services doesn't have any information because they don't require reporting of the way your money is being spent by the State.

To my mind, I don't see how any of us can afford to be in that position, at least if we want to be accountable to the taxpayers and to the voters. I don't know what Congress intends in this regard, but I can tell you what I intend, which is, we have to, while encouraging flexibility—I am all for flexibility—maintain reasonable accountability because the money, as yet, is not the States. They don't raise it, they don't vote for those taxes. We do.

I want to ask Mr. Hertzog a question about the weatherization program. The weatherization program is proposed to be incorporated in the community development block grants program.

Under certain circumstances, it is conceivable that that could work. There are a lot of areas of this State, and a lot of areas of other States, where it simply won't work because there are a lot of communities that don't participate in the community development block grant program.

But, as I understood and recollection your testimony, you proposed or felt it was a good idea that the low-income energy assistance program and the weatherization program ought to be handled together; is that correct?

Mr. HERTZOG. Yes, sir.

Senator HEINZ. So, you believe it would be good public policy to combine them into a single program, assuming we can solve the 175 percent and 150 percent eligibility problem, which is a modest problem to solve?

Mr. HERTZOG. If you didn't combine them at least to have the proper link that when you are giving energy assistance that you are also looking at the longer term problem, which is to weatherize that home so that you could reduce the energy cost for the individual in the future.

Senator HEINZ. Your industry and your company has been rather creative in this regard. Were the administration's program for weatherization and utility conservation to be enacted, what services could the poor expect from your industry?

Mr. HERTZOG. Are you inferring that maybe the RCS program, as it exists today, would sort of phase down, for example?

Senator HEINZ. Yes.

Mr. HERTZOG. Since 1977, we have been performing free audits for anybody and, in particular, under the CARES program. As we go out we do offer them all the possible hints we can do under today's regulation.

As you know, RCS does require a charge, which we didn't have before. And without getting a variation from DOE, we do not have a right to perform the full audit for the customer.

We would be very happy to reimplement the free home energy audit for the low-income and the elderly. The problem that you have to look at is the long term. First of all, we don't want to lose any money in the total programs because as the elderly's costs go up and, as mentioned earlier again, the older homes don't have the insulation and storm windows, if they can't meet their fuel bills how are they going to do anything, once they get above that level of weatherization, in putting in storm windows or insulation?

That is a concern that we do have, of how you fund just above whatever that cutoff level is.

Senator HEINZ. Can the low-income elderly get financing for insulation and storm windows either from an electric utility or from some other source?

Mr. HERTZOG. Through the CARES program we will work with them to work with the bank and so forth. At this time, we do not have a program of offering either a no-interest loan or anything.

It is, in one respect, a group of customers subsidizing another group of customers and, of course, with the proper tariffs and so forth, this could be proposed. But, under today's RCS program and so forth, we haven't pursued this issue.

Senator HEINZ. And I assume you don't have, at this point, any experience with whether or not the elderly would be willing to assume $800 or $1,000 worth of additional debt, even if it was low interest loans?

Mr. HERTZOG. From our experience, it would maybe be a choice of not eating as well, or not eating enough, to pay that money, and that would be a concern to us.

Senator HEINZ. In your experience, how cost-effective are the weatherization efforts that you have seen?

Mr. HERTZOG. Those that we have had implemented, of course, they are implemented by different groups, different counties. I

think we have noticed a very substantial reduction in their energy costs. Our average usage for all of our customers has not been increasing. They have been almost on a steady plateau as far as the average kilowatt hour usage, and for the electric heat customers, where some of the elderly would fall in there, we have had a steady decrease in the average use over the last 10 years.

Senator HEINZ. Yesterday, we had a witness before the committee from Millersburg or Millersville, I forget which—there are two near each other—of Pennsylvania, Mrs. Mona Musser.

Mrs. Musser had received weatherization assistance from the AAA agent through the good offices of the AAA agency in Dauphin County. Her fuel usage had dropped from 900 gallons of home heating oil to 836 gallons of home heating oil.

It is a little difficult to compare on an annual basis. We don't know how stiff the winters were and exactly how comparable the weather was but that is a 7- or 8-percent decrease in usage.

It probably cost her, or somebody, $800 or $900 to do that weatherization, saving her, therefore, for home heating oil, about $60 or $70 a year. Would that be an above average or below average kind of performance?

Mr. HERTZOG. I would say that would be below average.

Senator HEINZ. Do you think that for successful weatherization you would get a much greater savings?

Mr. HERTZOG. Yes, sir.

Senator HEINZ. Of what, 15 percent, 20 percent, 25 percent?

Mr. HERTZOG. You should get 20 to 25 percent.

Senator HEINZ. Which would achieve about a 4-year payout?

Mr. HERTZOG. Four to five years.

Senator HEINZ. I think most of us believe the best argument to those people who want to reduce low-income energy assistance to the poor and to the elderly is if that is something you want to do and you don't want to subsidize energy bills ad infinitum, maybe the way to stop that, maybe the way to phase out of that is to invest in weatherization, so that we really do something about conserving energy and making it less necessary for us to have to subsidize the unnecessary use of energy when there is a better solution.

Mr. HERTZOG. I do believe that is the long-term solution but in the meantime, you have people that are trying to stay alive, and we say one of the essential parts of food, shelter, and clothing, shelter doesn't do you very much good if temperatures are down.

In fact, as I am sure you are aware, hypothermia and so forth in some of the elderly require the temperature to stay up to 72°, 75°. We have to address both those problems.

Long term; yes. I agree with you that weatherization maybe should be enhanced and very strong effort put into that program.

Senator HEINZ. In your experience, would the senior citizens who have to pay their utility bills—don't they make every effort to do so?

Mr. HERTZOG. Yes, sir, and I think that is what the young lady in this internal communication that I gave you a copy of as part of the testimony was saying. They will make every effort to pay their bills. That is the mind set. That is the generation. That is an attitude that is instilled in them and they come in, you can see

them on the check day, they are in there lined up to pay those bills. And you know that it is a very large proportion of what they actually receive.

Senator HEINZ. So the consequence is that as their cost of energy goes up they have to give up something else.

Mr. HERTZOG. That is right.

Senator HEINZ. And what do you think it is they give up more than anything else?

Mr. HERTZOG. I know some of them give up food.

Senator HEINZ. That is right. That is absolutely right. I am sure this is not news to anybody here, but I think it is significant that you—at least you appear to be a nonmember of the elderly—can speak quite authoritatively because of your position in private enterprise.

People often hear the phrase, "the Hobson's choice between heating and eating," and many of our elderly are put in that position. They don't like to say it. There are some outspoken advocates who will say, who are not afraid to say it, because so many of our elderly are very proud. They just don't even want to let on they have a problem. And it is particularly significant when people such as yourself put it on the record for all to see, for those who care to look, exactly what those problems are and we are very grateful to you. Thank you both.

Mr. Williams, do you have any final comments?

Mr. WILLIAMS. No; except that I am very pleased you took the time to come to Philadelphia to hear our problems.

Senator HEINZ. Thank you very much. [Applause.]

We do have enough time for a very patient group of witnesses. Would the additional members of the Action Alliance please come forward to the witness table?

As I understand it, we have David Kuhr, Frances Kohlhauser, and Lucy Merrick.

Como se llama usted, senor?

Mr. MORENO. Simon Moreno.

Senator HEINZ. Muchos gracias. Let me ask Mrs. Kohlhauser to begin.

STATEMENT OF FRANCES KOHLHAUSER, PHILADELPHIA, PA.

Mrs. KOHLHAUSER. Senator Heinz, members of the Senate committee, and ladies and gentlemen. I am Frances Kohlhauser of Second and Thompson Streets in the Fishtown area of Philadelphia. My late husband and I operated a small grocery store all our lives, and now I live alone on social security, with monthly payments of about $330. I am proud to say I maintain my own home, and I am a community leader, and proud of my 81 years.

I rely very much on many of the services that will be reduced or terminated by President Reagan. I need energy assistance to pay my gas heating bill. I need public transportation since I have no car. I need my senior citizens center at the Lutheran Settlement House.

For me, these are not luxuries, but they help to keep me alive, and I am not alone. There are lots of members in our Lutheran Settlement House who are affected by the cuts and will not be able to travel or eat.

I tell my story in the first person, but you must hear that I speak for many more.

Yesterday I took a bad fall and injured my arm. If I had broken it and had to stay home for several weeks, the center would have brought me my meals. The funds for those meals and the drivers were paid by PCA, and will be cut 25 percent if Reagan has his way.

I fought for that center, along with my friends and neighbors, and we will fight hard to keep it. Please do not permit the President to cut our programs. There are many people like me in this city leading lives of dignity and independence, and we need and use many services which help us survive in a community that cares.

Please, Senator Heinz, help us. We cannot afford the gas and electric now, and if these cuts go through and we have no help, we won't be able to eat. Please work to restore our services.

Thank you. [Applause.]

Senator HEINZ. Mrs. Kohlhauser, thank you.

Mrs. Merrick.

STATEMENT OF LUCY MERRICK, PHILADELPHIA, PA.

Mrs. MERRICK. Senator Heinz, members of the Senate committee, ladies and gentlemen, I am also a member of the Action Alliance and I work very closely with my president, Lillian Holliday.

My name is Lucy Merrick. I live in west Philadelphia. I am a member of the Senior Partners of historic St. Thomas Church, offshoot from the old Christ Church.

Back in those days, as they have told us in history, we all worked together taking care of the sick, the elderly, the handicapped during the yellow fever calamity that hit our city. As we survived, seemingly, our lifestyle came back again and we have forgotten those days.

As a person who has worked in the health field practically all my life, I am concerned also about the impact of these cuts on the elderly. I won't repeat them, as so many people have brought out the problems that we will encounter, but I will say that many of the elderly are saying that the people refer to medicare as our broken promises to us.

Medicaid, which is available, a lot of that will not be available to us. Some of the hospital beds and nursing home beds we will be refused because they will say, we don't have enough beds under medicare.

There is a little plaque on the wall in every hospital. You are supposed to look for it. It says that no one is to be turned away. But they can get around that if they say, "We don't have available beds." You will be given emergency care and sent out.

I have been in the emergency room in many hospitals, seen elderly people and sick people waiting to be seen, waiting for care, especially on weekends and holidays when staff has been depleted.

No one has told us that we can't get sick on the weekend or on holidays, but they can't do any better. No one can do any more than two feet and two hands can do. We are given emergency care. We have to wait for the EKG technician if we have that kind of complaint.

We have to wait for the X-ray technician and, as we were told many, many years ago by Dr. Rodman, which was the forerunner of the radiology technician. He said radiology is the doctor's and surgeon's right hand. He has to have them. They cannot go any further than what they see on the film.

So, with the depleted staff you really have to wait for they can't get to you in time and this will sometimes make it very tragic. All health we should have for all Americans. It is a necessity, not a luxury. And in this country we refuse to believe that it can turn its back on our sick and elderly.

We call upon all of our elected representatives to work with us in this fight to help. We need your help.

Thank you. [Applause.]

Senator HEINZ. Thank you, Mrs. Merrick.

David Kuhr.

STATEMENT OF DAVID KUHR, PHILADELPHIA, PA.

Mr. KUHR. Senator Heinz, members of the Senate committee, and ladies and gentlemen, I am David Kuhr of the Philip Murray House at 6300 Old York Road in northwest Philadelphia.

Philip Murray House is a 202 building, and 80 percent of us who live there are on section 8 by the grace of U.S. District Judge George Fullam, who ruled that everyone entitled to section 8 should be on section 8.

We have people paying $50 out of $157, rent. That means they are living on $200 a month total income. If you cut section 8, we get hurt. Where do these people get the money to pay a 20-percent rent increase? For many, the choices are to pay rent or eat.

Blue Cross and Blue Shield go up, food goes up, and the way of living goes down. Food stamps will be cut, and how do my neighbors live?

We have serious troubles trying to get homemakers when people come home from the hospital, and if it is cut some more, what will we do?

Without legal help of community legal services to represent us with our landlord, who will fight for our rights?

I am 84 years old. I came here from Russia when I was 17 and taught myself English. I worked in tool and die shops before I retired. I am proud of my life, and of the many like me who worked hard to make this country great.

We are not asking for charity. We are asking for justice. We contributed to America without any reservations, and we continue to contribute, to vote, and to volunteer our time and talents through our organizations like Action Alliance, the Jewish Y's and centers. We are proud to be independent and living on our own. Please do justice to us.

Thank you. [Applause.]

Senator HEINZ. Senor Moreno.

STATEMENT OF SIMON MORENO, PHILADELPHIA, PA.

Mr. MORENO. Buenos tardes——

Senator HEINZ. Buenos tardes.

Mr. MORENO. Distinguido Senor Heinz, damas y caballeros, mi nombre es Simon Moreno y vivo en Philadelphia. Yo soy Puertori-

queno que vine a este pais in 1955 con el proposito de trabajar y crial mi familia lo cual lo hize.

Ahora soy un anciano retirado y miembro del Centro Mann, donde represento un grupo de Latinos como Yo. Este centro es un vehiculo muy importante en nuestras vidas diarias. Alli es donde vamos para recrearnos y socializarlo con nuestros companeros.

Para nosotros que hablamos poco ingles el centro tiene aun otra importante funcion, es alli donde vamos para orientacion sobre nuestros derechos y resolver nuestros problemas.

Cuando los cheques no no llegan, cuando no tenemos para pagar la gaz, cuando tenemos que ir al medico. A donde recurrimos? Pues al centro.

Mi proposito hoy es para pedirle al Senador Heinz que lleve este mensaje a Washington.

Los cortes del Mr. Reagan a nuestros servicios seran un desastre a nuestras vidas diarias.

Si van a quitarnos lo poco que tenemos, Senores, adonde vamos a parar? Si en realidad quieren hacer algo con los servicios sociales, lo apropiado seria aumentarlos.

Muchas gracias a todos. [Applause.]

Senator HEINZ. Estero que yo entiendo todo que usted dices pero hace mucho tiempo que yo hablo español. I am in trouble. No puede dice todos los palabras que sodon mi corazon. Usted—you have done a wonderful job. I did understand some, not all, of what you said.

I think, Mrs. Kohlhauser, Mrs. Merrick, Mr. Kuhr, Mr. Moreno, your testimony is extremely eloquent and we are indebted to you. I want to thank you for your patience in staying.

You and the Action Alliance, as always, have made an invaluable contribution. And even though we don't happen to have any Philadelphia tea party planned for today, I think what we have achieved here today will, in its own way, make a very good record for my colleagues.

Thank you very much. [Applause.]

[Whereupon, at 12:55 p.m., the committee adjourned.]

APPENDIX

MATERIAL SUBMITTED FOR THE RECORD

ITEM 1. STATEMENT OF BERNARD R. MARKS, ACSW, JYC DAVID NEUMAN CENTER, PHILADELPHIA, PA.

I present this testimony in my capacity as the chairperson of the Pennsylvania Association of Senior Center Directors and Personnel. In addition, I am a member of the National Council on Aging; I am one of the 58 delegates representing Pennsylvania to the White House Council on Aging. I am employed by the Jewish Y's and the National Council on Aging; In am one of the 58 delegates representing Pennsylvania to the White House Council on Aging. I am employed by the Jewish Ys and Centers of Greater Philadelphia, as the assistant executive director and, in this capacity, I administer two senior centers which are partially funded through the Philadelphia Corporation for Aging and United Way of Southeastern Pennsylvania. I am a senior adult.

We commend you, Mr. Chairman, and your committee colleagues for scheduling this hearing at this time, and in Philadelphia. We are disappointed that last week the Senate went on record with your concurrence in proposing much lower funding levels for administrative department units responsible for human services. It is unfortunate that the new administration chooses to propose human services budget slashes and, at the same time, postulates that elderly services will remain intact. This inference is specious. We know that a recent analysis presented to this committee has rostered the following service cutbacks affecting elderly and other age levels: A cap on medicaid; food stamps cutoffs; rent increases for subsidized housing persons; the elimination of the $122 per month of the minimum social security benefit; the folding of title XX allocations into block grants will reduce senior center services.

The senior center has become one of the most viable agencies in providing a full range of services to the noninstitutionalized aged, both frail and nonfrail. Senior centers are instrumental in maintaining long-term care service objectives and thus, keeping handicapped and homebound elderly clients out of nursing homes. The growth of senior centers, given impetus by the 1965 Older Americans Act, is well known to members of this committee. This growth is a joint effort of the public and voluntary sectors. Some aging network functionaries made assumptions that senior center services will not be impacted by the administration's budget reversals. We have already suffered from the CETA cutbacks projected by the administration. Our capacity to maintain services to the homebound will be shortened by the pending reductions in homemaker and household chore services. The plan to lump all programs into block grants will force senior center and aging services to become competitive with children and yourth services for the title XX dollar.

Members of this committee should take note that the 1981 cost to maintain one person in a home for the aged and/or nursing home in the Delaware Valley, ranges from $16,000 to $20,000 per year, $44 to $55 per day. Senior centers in Philadelphia alone serve more than 20,000 persons, incurring a daily cost of $4 to $8 per client. The committee can conjecture on a conservative number of persons that centers keep out of institutions each year. The dollar savings are obvious.

We are confident that the members of this committee are sensitive to the fact that reductions in human services have a domino effect on senior center service recipients. It is, therefore, imperative that any service cutbacks be weighed cautiously. It is our assumption that the committee is seeking feedback in holding this hearing. We, therefore, urge the committee and both houses of Congress to consider this recommendation: That there be no budget cutbacks this year and that this Senate committee take initiative in calling for a moratorium on the Budget Director's proposed cuts for at least 1 year, so that the democratic process involving all levels of our population, can fully react to this budget blitz cutback campaign.

It is our expectation to further participate in this process. We take heart that our President is a senior adult. We are distressed over last week's assassination attempt, and we pray for his speedy recovery. We are additionally concerned that adminis-

trative functionaries seek to exploit sympathy for the President's well being into support of his budget cutbacks.

Our sincerest thanks for making this opportunity available today.

ITEM 2. IMPACT ON OLDER PHILADELPHIANS BY THE PROPOSED BUDGET CHANGES, SUBMITTED BY RODNEY D. WILLIAMS,[1] PHILADELPHIA CORPORATION FOR AGING

The Medicaid Program

Title XIX of the Social Security Act established the medicaid program, which provides Federal matching funds to States to support health care for low-income persons and families including the aged, blind, and disabled. The Federal matching rates to States vary, ranging between 50 percent and 78 percent, using a formula based on the State's per capita income. Federal regulations require that certain services must be covered under a State's medicaid program. Other services can be included at the option of the State.

The Reagan administration has proposed an interim "cap" on medicaid expenditures at a level of $100 million below current projected expenditures. The Philadelphia Health Management Corporation (PHMC) has estimated that since Pennsylvania expenditures account for about 5 percent of the total medicaid expenditures, the proposed ceiling on expenditures with a $100 million reduction for this fiscal year and only a 5 percent increase in fiscal year 1982 will result in at least $47,200,000 reduction of estimated cost for 1982. PHMC also estimates at least a $8.4 million loss for Philadelphia, and possibly a loss of over $12.8 million.

In addition to the reduction due to the initial ceilings, the proposal to increase the level of funding in subsequent years based on inflation would result in a further loss since health care costs seem to be rising at a higher rate than the inflation rate for other goods and services. (Medical services that cost $100 in 1967 cost $240.10 in 1979 and even more now.)

Additional problems are presented for the elderly when we consider that they use more health services than the nonelderly. It is estimated that the elderly, representing approximately 11 percent of the population nationally, use 30 percent of the hospital acute care services and 90 percent of the long-term care services provided. The elderly account for over 40 percent of all medicaid expenditures. The Social Security Administration researchers estimate that medical expenses take 9.5 percent of older persons' incomes, while taking only 4 percent of the incomes of the general population. Further, the Philadelphia Corporation for Aging conservatively estimates, using statistics on the State medicaid program, that at least 9,304 needy and eligible elderly are not served by this program. The proposed ceiling could possibly discourage outreach to the health impaired elderly by providers of service.

Coupled with the proposed ceiling, the administration is recommending more flexibility to States in setting rates, organizing systems, adjusting eligibility and determining covered services. This total package is expected to result in cost-saving measures at the State level. PHMC has speculated on several types of measures, any or all of which would seriously impact the elderly:

(1) Limitations on eligibility.—The near poor elderly, who have marginal resources, may lose their eligibility if income limits are raised.

(2) Limitations on reimbursement for medication.—The elderly are generally more medicated than the total population.

(3) Reduction in scope of optional services.—Optional in Pennsylvania currently include many services upon which the elderly rely, such as drugs, dentures, prosthetics, eyeglasses, intermediate care nursing homes, podiatry.

(4) Reduction in levels of reimbursement.—This could possibly affect the quality of services received by the medicaid recipient.

The Philadelphia Corporation for Aging urges the Congress to seriously consider the potential for a direct adverse effect on the health status of the elderly as well as low-income citizens should the proposal to reduce medicaid spending be considered.

Health Planning

The Health Systems Agency of Southeastern Pennsylvania (HSA/SP) is responsible for health planning in this area. This activity occurs through the development of a plan and review of projects for consistency with this plan. There are three types of project reviews which the HSA/SP conducts: Certificate of need (CON), proposed uses for Federal funds (PUFF), and A-95 reviews. Additionally, the HSA/SP con-

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[1] See statement, page 378.

ducts appropriateness reviews (AR) of services such as: Long-term care, home health services, burn care, obstetrics, and renal transportation.

The HSA/SP has been in existence since 1977, and its activities directed toward containing cost while assuring the availability of appropriate services have been successful. The planning model used allows consumers, volunteers, staff, and providers to work together in addressing health care needs. Consultations to health care providers in the calendar year 1980 resulted in the elimination of $313,369,000 in proposed capital expenditures from the project review process. Added to these savings are those resulting from proposed projects not even submitted for review because of obvious inconsistencies with the HSA/SP plan. In addition to the savings in capital expenditures, there are dollars in operating costs which will not be spent.

The HSA/SP projects that, for southeastern Pennsylvania, health care payors, including medicare and medicaid programs, Blue Cross, commercial insurers, and noninsured citizens will save $258.6 million over the useful life of $90 million in proposed capital expenditure projects which were denied or eliminated in 1980. Annually, the projected savings is $9.5 million. Added to these savings are those resulting from proposed projects not even submitted for review because of obvious inconsistencies with the HSA/SP plan.

In addition to a fear of what will happen to costs in the health field without such authorized regulation, we are concerned that the potential for the HSA/SP to do even more will not be realized if it is phased out as a health planning agency or if its authority in the review of proposed projects is reduced. The HSA/SP has, over a period of time, developed the capacity for long-term implementation of organized and sensible plans for containing costs while assuring adequate availability of quality services. Such long-term implementation would positively affect the equitable and appropriate distribution of services. Aborting these activities at this time would result in regressive outcomes.

Using the area of long-term care as a concrete example, we can point out a potential negative impact of the proposed changes in health planning. As an agency responsible for advocating for the needs of the elderly, we are naturally concerned about this area. Approximately 90 percent of the long-term care services provided are used by the elderly. The HSA/SP has systematically reviewed the wide range of needs in long-term care and developed its plan to assure an appropriate level and distribution of available services without excessive use and waste. Its thorough review of the location of skilled and intermediate care nursing beds "locational analysis" resulted in a strategy, responsive to consumer need for neighborhood services, to assure development of additional nursing beds only in neighborhoods which have existing insufficiences. This limiting of development to only necessary beds is supplemented by the encouragement and facilitation of needed alternative long-term care services.

Worthy of note here is the fact that after the publication of the "locational analysis," 28 nursing home construction proposals were withdrawn because they were proposed for areas which the HSA had determined to have excess beds. These projects represented $52,315,480 in proposed expenditures. Without the regulation of development, the nursing home industry is likely to revert to patterns of building in areas with beds in excess of community needs. This would probably result in inappropriate use of this expensive mode of care, increasing the numbers of persons receiving high levels of care than needed.

Because there are third-party payors and Government reimbursements programs involved in the health care industry, it is unlikely that pure principles of economics can control cost. Additionally, there is the likely risk that any cost controlled by market forces would result in the determination of quality of services resting with the consumer's ability to pay. Such results would have severe consequences for the elderly in Philadelphia, who for the most part live on low and fixed incomes.

The HSA/SP has made great strides in containing health care costs while assuring the appropriateness of care. The Philadelphia Corporation for Aging urges the Congress to seriously consider the potential effects on cost and distribution of services on the residents of this city before supporting proposals to open the health care industry to self-regulation resulting from competitive market forces.

The Comprehensive Employment and Training Act

The city of Philadelphia is losing $35.5 million from cuts in the Federal Comprehensive Employment and Training Act (CETA), of this, $14 million from title II-D funded public service employment and training. Approximately 2,000 people have been laid off as a result of this cut. This cut will have its most profound impact on the elderly through its effect on services provided by agencies which rely on CETA employees. The services provided by PCA's senior centers are directly affected by this reduction in work force.

Approximately 36 CETA-funded workers will be lost from senior centers. The impact on services from the loss of these workers will vary from center to center depending on their particular roles, but the overall level and quality of services will be lessened by the need to shift other workers into the slots emptied by the lost employees or the need to shift funds from services to cover those functions. Some of the services performed by CETA workers in the senior centers are: Maintenance, outreach, intake, escorts delivering home-delivered meals, nutrition aides, program aides, drivers, coordination of assessments, office work, and translating.

The impact on some individual centers is severe; at one center, the CETA worker is the only Russian worker in a center serving over 400 Russian-speaking people. The services at other centers will be affected by having to transfer direct service providers into performing intake, office, and data work formerly provided by CETA employees. In some cases, service funds will be transferred into maintenance. Further impact will be felt by the elderly through the loss of workers in weatherization programs and other service agencies which will be forced to reduce services through loss of their employees.

The cuts in CETA are an example of secondary, unintended results of program cuts. A cut in employment and training will adversely affect services to the elderly and will have ripple effects on other service programs.

Reduced Social Service Funds

President Reagan's proposals for social services fall into two broad categories: The consolidation of a myriad of present social and health categorical programs into four block grant programs; and the reduction of funding for some health and social service programs by an average of 25 percent.

Changes proposed for the Older Americans Act and for title XX of the Social Security Act directly affect aging services funded through PCA. Changes in other programs such as CETA indirectly but nevertheless deeply affect services also.

FUNDING

President Reagan has asked that Older Americans Act title III funds for social services, group dining and home delivered meals be unchanged from 1981.

The proposed cuts in title XX we estimate will mean a loss of about $1 million for PCA. This would mean: 51 less persons contacted through outreach; 4,700 less calls being answered by SARA; 25 fewer persons receiving protective services; 16 fewer persons getting foster care services; and 31 fewer persons getting day care services.

In senior centers: 128,000 less days of socialization/recreation programs; 16,400 fewer hours of educational programs; 28,700 fewer passenger trips in center minibuses; 8,000 fewer hours of counseling service; and 1,477 fewer health screening sessions.

This does not take into account further losses through inflation, which have been greater than 11 percent since last March. The loss in the title III programs will be felt because of inflation rather than in reduction in funds. The effect of inflation is significant. It will cost PCA $1 million more in 1981-82 to maintain programs at the same level as 1980-81.

Thus, to sum up, the direct loss from the unchanged funding for the Older Americans Act's title III and the reduction of title XX is at least $1 million to inflation and another $1 million in loss of money.

In addition, the reduction or elimination of such programs as CETA will affect PCA funded services. Senior centers make extensive use of CETA public service enrollees doing everything from running socialization/recreation programs and providing service management and counseling to driving minibuses and maintaining senior center buildings.

CONSOLIDATION

The Older Americans Act is scheduled for congressional reauthorization next year. The Reagan administration already recommended that the three parts of title III be consolidated into one. This will permit States to allocate funds to each of these parts according to local need and decisions.

As part of the effort to reduce Federal spending, the administration wants to consolidate many Federal programs into a few block grants to States. This, they feel, will reduce Federal costs. The proposal is to combine title XX in with several social service programs and let the individual States decide how to allocate the funds. The concept does permit extensive local control. At the same time, it intensifies local competition for funds. At this stage, it is impossible to determine what the effect will be. One result could be that the already reduced funds will be further reduced if there is a decision to shift former title XX from aging services.

Food Stamps

Approximately 207,300 households in Philadelphia receive food stamp benefits. There are about 459,000 in these households. Of these households, 172,000, representing 390,000 persons, receive public assistance (PA); 15,300, representing 16,600 persons, receive SSI; 20,000, representing 53,000 persons, do not receive PA or SSI. The group not receiving PA or SSI are primarily low wage earners and social security beneficiaries.

Nationally, five percent of all households presently receiving food stamps would be made ineligible by the proposed new requirements for food stamps. Presently, one's adjusted net income must be below the poverty level to qualify for the program. The proposed rule is that one's gross income cannot be above 130 percent of the poverty level ($5,603 a year, or $468 a month, for one person and $7,397 a year, or $618 a month, for a couple).

Applying that percent to Philadelphia, 10,300 households composed of 27,300 people will lose their eligibility for food stamps. All of these 10,300 households will be from the group that receives neither public assistance nor SSI or more than half that group. Many of this group are likely to be social security beneficiaries.

For those who still remain eligible, there are proposed cuts that will result in loss of benefits. These proposed cuts include the following that would affect elderly recipients:

(1) The amount of food stamps one receives is determined by a formula based on income and expenses. There is a deduction similar to the standard deduction in income tax and it is tied to the cost of living. This year the amount is $85. The administration proposes to freeze this amount at the present level. (For nonelderly, the shelter deduction would also be frozen at its present level of $115 a month.)

(2) In January 1982, three changes were scheduled to happen, but the administration is proposing to rescind them. They are: (a) Making the cost-of-living adjustment for food prices in January of each year based on December costs. The adjustments are presently made on September's costs, creating a 3-month lag. Inflationary food costs make the time lag important for tight budgets. (b) Allowing deductions for dependent care costs for working persons caring for elderly parents. (c) The decrease of the exclusion amount for medical expenses for elderly persons from $35 to $25. This means that elderly persons would be able to deduct their medical expenses over $25 to determine the amount and cost of their food stamps.

The President's budget would repeal these changes.

(3) There is concern that income from the previous 90 days instead of 30 days will be used in determining eligibility of an applicant for food stamps. Persons who have a sudden significant decrease in income and who may need food stamps could be found otherwise ineligible because of their incomes two to three months prior.

(4) A person determined eligible now receives food stamps for the whole month in which they are found eligible. A proposed change is to prorate food stamps based on the remaining days in the month from the day they are found eligible.

It is not only the poor who will feel the effect of these proposed changes. Food stamps put $13 million not otherwise available into the marketplace each month in Philadelphia alone.

The following is an example of the impact of the cuts on a particular individual.

An elderly person, living alone on supplemental security income (SSI) in Pennsylvania. For this example, assume that this year's SSI grant of $270 a month will be increased by 12 percent to $302 a month, and that this person's rent was $150:

(A) Under current law, this person would receive $396 a year in food stamp benefits (or $33 a month).

(B) Under the Reagan administration's proposals, this person would receive $324 a year in food stamp benefits ($27 a month), for a total loss of $72 a year, or $6 a month.

Social Security's Minimum Payment

The minimum payment for social security is $122 per month; it is paid to those whose benefits would otherwise be less. Usually very small social security payments result from short work histories in the social security program or histories of sporadic part-time work, such as people doing part-time sales work at Christmastime.

According to supporters of elimination of the payment, most of the 3 million receiving the minimum payment also receive pensions and other forms of retirement income. One administration spokesperson estimated only 200,000 persons would suffer an income loss. Many, they claim, are retired Federal employees who are receiving substantial Federal retirement incomes. Even those who are truly needy, they claim, are very small in number and are usually also eligible for and receiving SSI (supplemental security incomes, which are most often much larger).

Those opposed to the elimination of the minimum payment claim that the "very small number" is much larger than the administration says. They claim that 12 percent of those receiving the minimum (360,000 persons) get no other pension checks. The Congressional Budget Office has been asked to more accurately count those who would lose income if the minimum payment were ended.

There are no data that show the number of persons for whom the minimum payment is the primary or even a substantial source of income. The administration claims that SSI will cover "truly needy" who would lose the minimum payment. Opponents say that the administration has not made provision for the group who have the minimum payment as their primary income but who are not eligible for SSI, usually because of age. The administration says it may be willing to establish a special SSI program for this group.

The issues thus are:

(1) How many people rely on the minimum benefit under social security as their sole or primary income?

(2) Will the elimination of the minimum payment cause a significant loss of income for persons already receiving other income and what are the effects of this loss?

(3) Is there provision being made for those persons who rely on the minimum payment, but are presently not eligible for SSI?

Low-Income Energy Assistance Program

It has been proposed that the LIEAP program also be folded into State block grants which will be reduced by approximately 25 percent. This will severely affect lower income elderly who have already experienced huge increases in energy costs. Approximately 18,000 elderly had received energy assistance (this year) by March in Philadelphia County. In the case of a reduction of 25 percent, either the number of elderly receiving assistance would be reduced at least by 4,500 or the amount of the benefit would be reduced from a current average of about $110 to about $82. Fuel oil bills in Philadelphia this winter have averaged between $1,200 and $1,500. This program was instituted to provide relief for poor people's fuel costs caused by oil deregulation in the windfall profits tax law.

The conference committee agreement on this legislation recommended that 25 percent of anticipated tax revenues be available for energy assistance to the poor. Based on this formula, at least $6 billion would be available in fiscal year 1982—far more than the $1.4 billion allocated to this program by the administration.

This promised relief must not be allowed to disintegrate. We further recommend that some of the windfall profits tax funds be allocated to energy conservation services to aid low-income elderly.

Public Transportation Funding Cuts

OPERATING SUBSIDY

Reagan has proposed to eliminate all operating subsidies for public transit by 1985. The elimination would occur on the following schedule:

Federal fiscal year:	*Allocation*
1981-82	Same as 1980-81.
1982-83	One-third of current allocation.
1983-84	One-half of current allocation.
1984-85	Zero.

This would mean a loss of $47 million for SEPTA in 1985. This is 13 percent of SEPTA's operating budget. However, the effect would be compounded by inflationary increases and other operating cost increases as well as the subsidy loss.

SEPTA RESPONSE

The chairperson of the SEPTA board has publicly described possible scenarios for dealing with the loss of Federal subsidies and a reduction in State funds, including:

(1) A dramatic increase in fairs to as much as 80 percent in public transit and a doubling of rail fares. However, they have already seen a 20-percent loss in ridership on rail lines after the latest increase and a 6 to 7 percent loss on the public transit lines. Also, SEPTA already gets 50 percent of its budget from fares which is more than many transit systems.

(2) Cuts in service—they are identifying the least efficient routes now where service could be cut or eliminated.

(3) Local tax source—SEPTA wants a 1-percent regional sales tax which they view as less regressive (due to exclusion for food and clothes) than an increase in the State income tax or local property tax. Tax proposals are being discussed with the State this week, but if Federal cuts go through, the taxes will only reduce the impact, not give SEPTA the stable funding that they were looking for. Governor Thornburgh wants a 2-percent surcharge on income.

REDUCED FARE FOR ELDERLY

Reagan is also considering eliminating the Federal requirement for half fare for elderly and handicapped, but this would probably have no effect here since the State funds the free transit fares for the elderly.

CAPITAL EXPENDITURES

Reagan is talking about a rollback in capital funding in the current fiscal year for projects for which there are no contracts.

In Philadelphia, SEPTA is saying that the funds for the commuter tunnel are all committed in contracts, but there may be no trains to run in the tunnel due to the cutback in operating subsidies.

504 REGULATIONS

The Bush Regulatory Reform Committee is looking at 504 and probably will allow local option for alternate service, rather than making the current system accessible. This will probably also come up in Congress. SEPTA does not mind the local option idea but will not be able to provide an alternate system with the cutback in operating subsidies. It looks like a good example of letting the locals decide but not putting up any money to implement the choice.

RIDERSHIP

In terms of ridership, Bob Cleary (574-7413) said that 13 percent of the public transit riders are elderly and ride free on off-peak hours. Less than 2 percent of the 13 percent ride on commuter rail whch is not currently subsidized by the lottery.

The Weatherization Program

The Philadelphia Corporation for Aging urges retention of the weatherization program as a separate program, not folded into the community development block grant. The weatherization program is of critical importance to lower income elderly, the target population for this program. The current waiting list in Philadelphia is over 4,000 and the program has not taken application in over a year. It is estimated that a minimum of 69,000 elderly homeowner households have qualifying incomes (130 percent of poverty or below) for this program in Philadelphia alone.

The elderly live in older, less fuel-efficient houses; 70 percent of Philadelphia elderly live in houses built before 1939. Most are living on low fixed incomes. It is estimated that many lower income elderly are spending in excess of 30 percent of their income on energy costs, some as much as 50 percent. The price of home heating oil has risen 410 percent since 1973; the price of gas 160 percent. The cost of heating a house by oil has risen from an average of $220 in 1973 to $1,143 in 1980. Weatherization can reduce these costs by at least 25 percent.

Because of health needs, most elderly cannot consume less energy to reduce fuel bills. Doing so exacerbates widespread chronic health problems. Nor can they afford to pay for energy conservation themselves or undertake weatherization measures themselves. It is imperative that the incredible hardships brought about by oil decontrol and rising gas prices be lessened by weatherization for those most vulnerable.

Low-income weatherization in all likelihood cannot compete for funding in community development block grants. With no required targeting and significant CDBG budget cuts, there is little hope that weatherization activity will continue. Yet this form of energy assistance is the most cost effective long-range benefit to lower income persons. Even at present funding levels, weatherization has received about one-twelfth thc funding of low energy assistance case transfer payments.

Housing Programs

SUBSIDIZED HOUSING

The Reagan administration proposes to reduce funding for section 8, the major source of housing subsidy for lower income renters, from Carter's proposed funding

for 225,000 units to 175,000 units nationally. Cuts in assisted housing account for 25 percent of the 1982 budget cuts.

In Philadelphia, approximately one-half of section 8 certificates (1,900 households) are used by elderly, but hundreds are waiting for them. The proposed reduction of section 8 funding will result in a cutback of approximately 200 units of section 8 in Philadelphia for fiscal year 1981 and 240 fewer units in 1982. There are thousands on the waiting lists of those subsidized housing projects that have been built for the elderly under sections 202 and 236. Even at 260,000 units, less than 10 percent of those households eligible and in need of housing subsidy would be able to receive them. Over one-half of single elderly renters in Philadelphia have incomes below $3,000 annually. Some are spending in excess of 50 percent of their incomes on rent. These people are among the poorest of the poor with no other resources than section 8 for decent humane housing. These section 8 funds must not be cut. Even Carter's 260,000 unit funding level is a reduction by one-half of the funding of section 8 in 1976.

PUBLIC HOUSING MODERNIZATION

The Reagan budget proposed to cut modernization funds by 40 percent. There are 4,900 elderly persons living in public housing in Philadelphia, many of them in substandard conditions below health and safety codes and with little or no weatherization. Funds to repair and make these properties more energy efficient are critical. Newly installed individual fuel meters will shift some energy costs (above the average "allowance") to tenants. Elderly tenants are more vulnerable to cold and less able to consume less energy to reduce these costs. Funds for repair and weatherization of their units will be even more criticial. Philadelphia Housing Authority estimates that cutbacks will result in layoffs of about 300 maintenance and repairmen.

Hundreds of public housing units are in disrepair or stand vacant in Philadelphia as elsewhere. At this time, over 10,000 people are on the Philadelphia Housing Authority waiting list. It is essential that existing housing stock not be allowed to deteriorate and vacant stock be reclaimed in the face of the tremendous need for this housing.

COMMUNITY DEVELOPMENT BLOCK GRANTS

The Reagan administration proposes to reduce funding for CDBG by approximately 12.6 percent or one-half a billion dollars and to consolidate the section 312 loan, weatherization and urban development action grant programs into the block grant without commensurate increase in funding. This will put enormous increased pressure on already limited resources. We are particularly concerned that the elderly, who are often not in a position to exert strong political pressure for these funds will receive an even smaller share than at present.

CDBG funds are the only source of subsidies of major home repairs for lower income elderly homeowners in Philadelphia. Approximately 70 percent of Philadelphia's elderly are homeowners, and over 70 percent of these are living on low fixed incomes on older houses built before 1939. Currently, approximately $8 million, or 11 percent of the $72 million CDBG entitlement, is allocated to major repair funds. Elderly comprise 22 percent of Philadelphia's population. It is critical that a fair proportion of CDBG funds be designated at the Federal level for home repairs for the elderly.

THE SECTION 312 LOAN PROGRAM

The proposal to end the section 312 program and fold it into community development block grants will both eliminate the only source for low interest home repair loans for lower income elderly, but also put even more pressure on block grant funds which are already limited. Presently, 312 loans are used to supplement CDBG home repair grants when a homeowner's property cannot be adequately repaired for the grant maximum. (Repair cost of roof, heater, plumbing, etc., exceeds approximately $9,000 to $10,000 per house depending on house size.) This low interest loan program would no longer be available to supplement and stretch CDBG home repair grants.

ITEM 3. STATEMENT OF EVE W. GOTTESMAN, POLICY ANALYST/LIAISON, NORTH PHILADELPHIA, PA., INITIATIVE FOR LONG-TERM CARE

The North Philadelphia Initiative for Long-Term Care, a program of the Philadelphia Corporation for Aging, is a 5-year demonstration funded by the Robert Wood

Johnson Foundation's program for the health impaired elderly, to develop an organized system of long-term care for the elderly population of north-central Philadelphia. The North Philadelphia Initiative offers this testimony on behalf of the population it is committed to serve: 66,000 older people in a total population of 500,000 in this inner city area, a large portion of which is federally designated "medically underserved," and which is home to 29 percent of Philadelphia's elderly population and 37 percent of its SSI recipients.

In this poorest area of the city, more than half of the large number of elderly people are near or below the official poverty line. Cuts in medicaid of the magnitude being proposed would have a devastating impact on the health and well-being of a significant portion of the population of north-central Philadelphia.

In order for Pennsylvania to effect consequential savings in its medicaid expenditures, it would, most likely, have to reduce expenditures for long-term care services, which affect the elderly more than any other group. Long-term care, defined as care provided for more than 30 days, includes all services designed to maintain or improve the condition of functionally disabled persons, of whom some 90 percent are elderly. It includes a wide range of health care, social and supportive services, which may be provided in an institution, in the home, or in the community.

Nursing homes, only one component of long-term care services, now account for 40 percent of the medicaid budget. Despite such a substantial outlay, Philadelphia has a current deficit of 2,800 nursing home beds, of which half are needed by medicaid patients. (The Health Systems Agency of Southeastern Pennsylvania projects a need for an additional 3,785 beds in Philadelphia by 1984, to accommodate the needs of an expanding aging population, which is expanding most rapidly in the over-75 age group, the most impaired, vulnerable, and the most likely to need nursing home care.)

North-central Philadelphia, with 29 percent of the city's elderly population, has only 3.5 percent of the city's nursing home beds. This is primarily attributable to its large medicaid population and Pennsylvania's low reimbursement rate for medicaid patients. (The rate was raised just this past year from $27 to $38 for SNF care and from $21 to $31 for ICF care.) The medicaid cuts proposed will further discourage the building of nursing home beds in this area where they are so sorely needed.

Community-based and in-home services are another component of long-term care, one whose development has been encouraged in the past few years by professionals and by government, at both Federal and State levels. The Administration on Aging has sponsored several studies of experimental community-based care systems around the country and, with the Health Care Financing Administration, has recently launched the national channeling demonstration. This demonstration is intended to discover the types, extent, and costs of services that would be required to sustain people in need of long-term care in the community. This effort is consistent with the aims of the North Philadelphia Initiative, which will help to develop in the north-central Philadelphia community the organizational structures and resources to provide a full continuum of long-term care, with an emphasis on home and community-based care wherever this is a desired and reasonable alternative to institutionalization.

Currently, the funding for community-based alternatives is very limited. Pennsylvania's reimbursement rate for home health care is so low ($13, compared to an actual cost of approximately $18 a visit) as to virtually eliminate this option for most medicaid recipients. Day care, day-hospital, respite care, and other services essential to providing a viable, less expensive and, in many cases, a more humane alternative to institutionalization are unfunded and virtually nonexistent—even for those who can pay.

The Philadelphia Corporation for Aging provides a variety of community and in-home support services to the elderly in Philadelphia. However, it cannot now provide services to all the elderly who need them, and in the quantity needed, and its budget for the coming year has already been cut by the State. Further cuts that will result from the reduction and consolidation into block grants of title XX and other needed programs will severely limit PCA's ability to meet the needs of the poor, infirm elderly. (The impact of these cuts is described more fully in the Philadelphia Corporation for Aging's own testimony.)

The North Philadelphia Initiative, despite its core of private funding, has already felt the impact of the budget cuts. The elimination of the CETA employment program has hampered its attempt to recruit outreach workers, who are instrumental in the identification of the informal support systems that currently provide a significant amount of unpaid help to the elderly in the community. Without such help, many of these elderly could not remain in the community and would swell the medicaid rolls with their entry into nursing homes.

These cuts come at a time when the elderly population (and particularly that portion of it over 75) is increasing rapidly and will require significantly more, rather than less, public support. They come also at a time when innovative new approaches to meeting the needs and alleviating the problems of this population are being tested and begin to show promise of providing more humane and effective systems of care that could, at the same time, save millions of dollars over the cost of institutional care for a significant portion of that population. It has been estimated that approximately one-third of people in nursing homes are there only because community alternatives are lacking—not because they require that level of care.

Given the increased demand on their budgets, most States are not likely to take the risk of funding innovative, experimental approaches. The economic pressures on them will be great. Improvement in the economy will probably not increase State revenues enough to compensate for the budget cuts. In fact, if tax cuts have their intended effect of increased savings, the result will be less purchasing and reduced sales tax revenue for States. Furthermore, there is frequently a mismatch between the locus of economic activity and the need for long-term care. Out-migration of the younger, working population to other States to seek jobs, for example, in the sunbelt, will leave some States with a reduced industrial and tax base and, at the same time, a higher proportion of the most dependent population.

Many States already suffer a medicaid deficit. They are likely to limit benefits and eligibility, which would lower their medicaid expenditures but shift the burden either to local governments (many of which are in economic crisis already) or to the needy themselves, whose "safety net" will be quickly destroyed by simultaneous cuts in medicaid and a vast number of social and other supportive services (such as food stamps, housing, transportation), which are interactive in their impact.

Undoubtedly, cost savings in all these programs could be effected by reduction of waste, fraud, and inefficiency. But, such fundamental and comprehensive changes should not be made in the haste and pressure of the current budget schedule. Implementation of these changes should be deferred long enough to study their full impact, which will be greatest on those with the narrowest margin of safety and survival. In its desire to balance the budget, the Federal Government should not forget this country's tradition of concern for the individual and for human values. It must not neglect its responsibility to the most needy and vulnerable among us. For their sake, for the sake of avoiding potentially much greater economic as well as human costs, and for the sake of preserving a humane American society, we urge that the Congress consider very carefully the long-term implications of these proposed reduction in essential human services and postpone action long enough to make a serious, thorough study of their impact.

ITEM 4. STATEMENT OF THE COALITION OF ADVOCATES FOR THE RIGHTS OF THE INFIRM ELDERLY, PHILADELPHIA, PA.

The Coalition of Advocates for the Rights of the Infirm Elderly, CARIE, is a coalition of organizations representing professional groups, consumer groups, practitioners, educators, and others interested in assuring that the rights of the frail elderly are protected and secure. The coalition includes organizations such as the Action Alliance of Senior Citizens, the Philadelphia Gray Panthers, the Council of Elders, an affiliate of the National Caucus of the Black Aged, the Archdiocesan Senior Citizens Council, and numerous others. In the aggregate, CARIE's organizational membership numbers in the thousands.

CARIE would like to commend Senator Heinz and the committee for scheduling this hearing on "how the budget cuts will affect the elderly" and for providing an opportunity for the coalition to make its views clearly known. An inflationary economy is of great concern to the elderly and infirm people in our country. They are the most vulnerable and have the most to lose from a shrinking dollar. But cutting back any of their health and social services is compounding an already intolerable situation. The reductions in health care, cutbacks in food stamps, the abolishment of the CETA program, medicaid reimbursements, and legal aid are of great and immediate concern. Today, we will focus on the latter two: the proposed cut back of medicaid funds, and the proposed elimination of the Legal Services Corporation.

CARIE is greatly concerned with the proposed "interim cap" on Federal medicaid funding. Medicaid is a joint Federal-State entitlement program in which the Federal Government shares the responsibilities of financing medical assistance to the poor. The Federal Government makes up anywhere from 50 to 78 percent of the medicaid budget. States have some input in how the money is used, but the Federal Government determines its overall allocation.

By cutting medicaid funding, the Federal Government is merely transferring the cost of health care on to the States. With 25 States already facing deficits in their medical care payments, the end result of medicaid capping will be the cutoff of health care to those who need it most. Cutbacks in care for the infirm elderly will lead to more illness and will only cause higher hospital and health care costs in the future. The answer to lower health care costs does not lie in putting a ceiling on medicaid. The cost of doctors, hospitals, nursing homes, and pharmacies make up 80 percent of increased costs. Cutbacks in medicaid benefits will lead to less preventative health care and greater illness among the elderly. This will only add to the use of health facilities that lead the way in increased costs.

Medicaid plays a substantial role for those with long-term medical needs, such as the residents of nursing homes. The largest percent of medicaid's budget is spent on nursing home care. About 50 percent of medicaid is used for staff, doctors, prescriptions, glasses, wheelchairs, hearing aids, artificial limbs and other necessary services vital for the elderly to live a decent life. With medicaid cuts there is the real danger that physical therapy will be abolished and patients will be drugged rather than rehabilitated. Nursing homes will become understaffed and direct and nondirect abuse will result. The overworked staff will have an abundance of responsibilities and patients will be neglected. Without medicaid, there will be no bed-reserve in nursing homes. Outpatient and hospital visits will be cut off, leaving patients virtual prisoners in the nursing home.

Any alternatives to nursing home care are all but abolished with medicaid cuts. The goal of home health care for the elderly is one that has received support both in the medical field and in the Congress. The elderly should be able to live their lives in their homes where they have control over their own lives. Home health care not only provides this dignity but will lead to lower health care costs. It seems only logical to pay for preventative care instead of waiting to pay the massive costs of institutional health care. Without the strong support of medicaid funding, home health care will become nonexistent and the elderly and the Nation will find itself with decreased health care at increased costs.

CARIE often receives calls on its hotline describing the difficulty of getting a relative into a nursing home because of the already low rate of medicaid reimbursement. To have the medicaid capping put into effect is in reality closing all nursing home beds to future residents dependent upon medicaid. Those millions of elderly dependent on medicaid for their health care will not only lose the preventative care they need to remain in their homes, but when they do suffer illness from lack of preventative health care and require institutional care in the form of a nursing home, they will be unable to find placement. No nursing home is going to admit a medicaid patient. Any medicaid residency requirements set by the Government will be met only by those patients admitted initially as high financed private pay patients.

Since its inception in 1973, the Legal Services Corporation (LSC) has acted as an advocate for millions of the older population who are unable to afford the legal aid required to deal with the procedural redtape, and sometimes unsympathetic officials that accompany health care for the elderly. Three hundred programs have utilized 250,000 lawyers to provide legal services to the indigent elderly. Just last year, 1.5 million cases were handled. Among the areas of concern were social security, pensions, and other income related rights; health care, including nursing homes and other long-term care facilities; housing problems, and other issues that especially affect the elderly. The Legal Services Corporation represents individuals in litigation with welfare agencies, unscrupulous landlords, and discriminatory employers. Without this means of legal aid, the poor elderly will find themselves without the representation needed to secure their basic rights and entitlements.

Referring to our hotline again, CARIE often is involved with problems that require legal assistance. When we receive a call from a nursing home resident who is being threatened with dismissal from the home in 24 hours, CARIE turns to Community Legal Services for advice. When a person has not received the payments they are entitled to, when a person is being abused, when a person is unjustly being placed under guardianship, all these are situations where CARIE is dependent upon legal services' help. Without the LSC, CARIE will find itself bogged down in problems where proper legal aid would quickly provide help. In order for the elderly to have a fair chance in the system of laws, regulations, and procedures, a strong LSC is essential.

Another source of legal help that attempts to uphold a fair society is provided by Congress through the Older Americans Act (OAA). OAA supplies services for elderly individuals without regard to income. These services will be devastated by the abolishment of the Legal Services Corporation. Without LSC help, two-thirds of OAA's funds will be eliminated. CARIE is alarmed at President Reagan's

proposed "zero funding for Legal Services Corporation." The loss of LSC will have a similar efffect on the programs funded by LSC. Three hundred and twenty locally controlled legal aid programs which provide needed help to the elderly will be eliminated. If Congress does away with resources assigned to LSC, it will be condemning millions of elderly, leaving them with nowhere to turn.

The Legal Services Corporation and the medicaid program are just two of the key areas which CARIE views as being adversely affected by President Reagan's proposed budget cuts. It is essential that something be done to stop the increasing cost of living but not at the expense of the elderly. Sacrifices must be made, but not by those least able to make them in our society.

We want to thank the Senate Special Committee on Aging for providing us with this opportunity to comment on the proposed cuts. We welcome any future questions or comments on this important issue.

ITEM 5. LETTER FROM ISIDORE T. SHAPIRO, PRESIDENT, GREATER PHILADELPHIA, PA., AREA CHAPTER, INC., ALZHEIMER'S DISEASE AND RELATED DISORDERS ASSOCIATION, TO SENATOR JOHN HEINZ, CHAIRMAN, SENATE SPECIAL COMMITTEE ON AGING, DATED APRIL 10, 1981

DEAR SENATOR HEINZ: I am not a scheduled speaker at the Senate Special Committee on Aging hearing in Philadelphia, Pa., this date. However, I would appreciate the opportunity to present written data which I feel is pertinent to your committee's research.

I am the president of the Greater Philadelphia Area Chapter of the Alzheimer's Disease and Related Disorders Association. The chapter was started in August 1980 with three people, now has approximately 200 members and we have hardly scratched the surface. We estimate 800 to 1,000 families in this area have a member who is afflicted with Alzheimer's disease. All of these families will be affected in varying degrees by any Federal budget cuts since the present and previous budgets have been grossly insufficient.

Alzheimer's disease (or "dementia, Alzheimer's type") is a progressive irreversible brain disease which results in intellectual deterioration to approximately 2 million adults in the United States. It affects the proteins of the nerve cells in the cerebral cortex, the outer layer of the brain. It is chronic and fatal.

While it was formerly believed that Alzheimer's disease occurred most often in persons under age 65, as early as the mid-30's, it is now also recognized as the most common cause of severe intellectual impairment in older individuals. Most experts agree that it is the fifth largest killer in the United States.

Most physicians, except for the few experts, fail to diagnose it properly and push it off with a simple statement, "What do you expect at his/her age." At this time there are no tests to determine Alzheimer's disease. It is necessary to perform every possible test relating to the brain and if all are ruled out then the assumption is that the patient is an Alzheimer's victim. This is time consuming, very costly, and requires the knowledge of the finest experts and very sophisticated equipment.

I would like to refer you to the following enclosures:

(1) "Impact of Alzheimer's Disease on the Nation's Elderly," joint hearing before the Subcommittee on Aging et al., July 15, 1980. To understand what our families go through, I particularly refer you to the statement of Mrs. Bobbie Glaze page 2, whose experience is typical, as well as the other witnesses. Also to the "fact sheet" by Gene D. Cohen, M.D., of NIMH, page 166.

(2) Another typical story is detailed in the Accent magazine of the Bucks County Courier Times, October 19, 1980.

(3) Newsletter (November 1980) of the Alzheimer's Disease and Related Disorders Association and in particular the statement of Dr. Robert Butler, Director, National Institute on Aging on page 3.

(4) Summary of the Mini-White House Conference on Aging January 15–16, 1981, sponsored by the Alzheimer's Disease and Related Disorders Association in cooperation with NIA, NINCDS, and NIMH, and their recommendations to the White House Conference on Aging.

(5) "Age Page," "Senility Myth or Madness," by NIA, October 1980.

(6) "Coping with Catastrophic Reactions," an example of the kind of information we try to supply to our families.

(7) "Late Care of the Demented Patient," James A. Haycox, MD., Burke Rehabilitation Center, from the New England Journal of Medicine, July 17, 1980.

As you can see those of us who have a family member with Alzheimer's disease, 2 million in the United States have a severe problem. Diagnosis is very difficult and expensive and even then there is no cure. Care of the patient at home becomes an

extreme emotional and financial hardship as in most cases the "healthier spouse" must work in order to live. This requires "home care" which also is very expensive and there are no funds for assistance. In the latter stages, it becomes necessary to put the patient in a nursing home. Many nursing homes will not accept the patient because they do not know how to handle him, and also they are not sure of payment. Medicare does not cover this nor do the commercial insurance companies.

What are we seeking? We look for sufficient research funds to find the cause of Alzheimer's and medication to prevent the problem. Until we accomplish this, it will remain a major health problem. Heart, cancer, and stroke research programs spend $1 billion in Federal funds. In contrast, only $7 million, at most, is being spent on Alzheimer's research. The former are truly worthy but we feel that Alzheimer's, the fifth largest killer in the United States warrants an emergency type of research effort with sufficient funds to carry it out.

In addition to the research areas, immediate assistance is necessary to alleviate the emotional and financial problems as a result of keeping the patient at home which is less costly, and of placing the patient in a nursing home.

Inasmuch as the present and past Federal funding has been grossly inadequate, we are most fearful of any budgetary cutbacks. Instead we plead for upgrading of funding in these areas.

Respectfully submitted,

ISIDORE T. SHAPIRO.

ITEM 6. STATEMENT OF MARCIA JUNOD ELDRED, ARDMORE, PA.

As a consumer who has served for several years on health system agency boards and other health related committees, in both New York State and Pennsylvania, I would like to strongly oppose the use of "block grants" for the establishment or social/community services and health programs in any State. I am distressed this will severely affect programs assisting the poor and near poor elderly.

It is my feeling the special interest groups might have such a strong influence (i.e., powerful political action committees) that those groups might in fact come out with better funding rather than a program which has already proven its merits. I feel we must weigh the merits of prevention, etc., in terms of the expenditures which would occur in crisis situations.

Without question, I believe there must be cuts in our spending. However, these decreases must occur after careful study and weighing the merits of all programs.

ITEM 7. STATEMENT OF EVELYN C. COLE, LEVERING MILL HOUSE SENIOR CITIZENS CENTER, BALA-CYNWYD, PA.

I am a member of the steering committee of Senior Outreach Services, and a volunteer director, for 6 years, of programs for the elderly in Montgomery County, Pa., and a senior citizen myself. I do not think block grants to the States in 1982 will best service the needs of the elderly poor. They will be more susceptible to political and special interest pressures than if funds were designated for specific services. If funds to States are to be cut 20 percent, will there be adequate supervision of administration and distribution of funds at the State and local levels to insure that the elderly poor will receive proper care?

Since 90 percent of our elderly are cared for in their own homes rather than in institutions, I urge you to provide sufficient funds for home health service programs, as institutional care would be much more costly. Community health centers and rehabilitation services are essential to the well-being of our senior citizens. They are more accessible to the elderly poor who have no means of transportation, or are physically unable to travel to urban health centers for outpatient care or treatment.

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